

STATE OF NEW HAMPSHIRE COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2000



Prepared by the Department of Administrative Services

Donald S. Hill, Commissioner

Thomas E. Martin, Comptroller

Sheri L. Walter, Director

This document and related information can be accessed at www.state.nh.us/das/accounting



Jeanne Shaheen
Governor
State of New Hampshire



JEANNE SHAHEEN
GOVERNOR

STATE OF NEW HAMPSHIRE

OFFICE OF THE GOVERNOR

To: The Honorable Members of the Legislature and
the Citizens of the State of New Hampshire

I am pleased to accept the Comprehensive Annual Financial Report for the State of New Hampshire, covering operations for the fiscal year that ended June 30, 2000.

We present this report to you and the financial community to ensure you have the information you need to clearly understand New Hampshire's financial status. This report includes the state's independently audited general purpose financial statements, prepared in accordance with generally accepted accounting principles.

Our state continues to be one of the best places to live, work and raise a family. We have one of the highest concentrations of high-tech workers in the nation, one of the fastest-growing economies, one of the fastest-growing export rates, and one of the lowest unemployment rates. And just like our economy, our quality of life consistently ranks as among the nation's best. Independent national studies have named us the healthiest state, one of the best states to raise a child, and one of the safest states.

We are working to continue to expand New Hampshire's strong economy, while protecting our high quality of life.

This year, we took an exciting and critical step toward protecting our state's unique quality of life. One of the things that makes New Hampshire special is our beautiful environment – our working forests and farms, our town greens and historic downtowns. We created the Land and Community Heritage Investment Program, an innovative public-private partnership that will help preserve our open spaces and historic places.

Education is the key to a strong economy. We have fundamentally changed the way we pay for education in New Hampshire. Our interim school-funding plan allowed 80 percent of our communities to lower their property taxes and invest more in their schools. Our great challenge now is to develop a lasting solution that meets the state's school-funding obligation and keeps our economy strong.

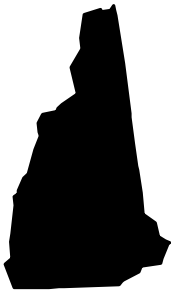
Our state ended this fiscal year in a strong financial position. But to maintain our strong financial position into the future, we must develop a lasting school-funding solution. Failure to do so will hurt our schools, our economy, and our state government's fiscal position.

I am confident that if we work together, we will be able to meet this great challenge.

Very truly yours,

A handwritten signature in dark ink, reading "Jeanne Shaheen".

Jeanne Shaheen



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Introduction



State of New Hampshire
Selected State Officials
For the Fiscal Year Ended June 30, 2000

Executive Branch

Governor Jeanne Shaheen

Executive Council

Raymond S. Burton, District 1

Peter J. Spaulding, District 2

Ruth L. Griffin, District 3

Thomas P. Colantuono, District 4

Bernard A. Streeter, District 5

Attorney General

Philip T. McLaughlin

Commissioner of Administrative Services

Donald S. Hill

Treasurer

Georgie A. Thomas

Secretary of State

William M. Gardner

Judicial Branch

Chief Justice of the Supreme Court
David A. Brock

Legislative Branch

President of the Senate

Beverly A. Hollingworth

24 Senators

Speaker of the House of Representatives

Donna Sytek

400 Representatives

STATE OF NEW HAMPSHIRE

ORGANIZATION CHART



LEGISLATIVE

Senate
House of Representatives
Legislative Services
Legislative Budget Assistant

EXECUTIVE

Governor
and
Council

JUDICIAL

Supreme Court
Superior Court
District Court
Municipal Court
Probate Court

STATE AGENCIES AND COMPONENT UNITS (*)

GENERAL GOVERNMENT

Administrative Services
Cultural Resources
Executive Office
NH Retirement System*
Revenue Administration
Secretary of State
State Treasury

ADMINISTRATION OF JUSTICE AND PUBLIC PROTECTION

Adjutant General
Agriculture, Markets & Food
Banking
Corrections
Employment Security
Highway Safety
Insurance
Justice
Labor
Liquor Commission
Pari-Mutuel Commission
Public Deposit Investment Pool
Public Utilities Commission
Safety

RESOURCE PROTECTION AND DEVELOPMENT

Business Finance Authority*
Environmental Services
Fish and Game
Community Development Finance
Authority*
Pease Development Authority*
Resources and Economic Development

TRANSPORTATION

Port Authority
Transportation

HEALTH AND SOCIAL SERVICES

Health and Human Services
Veterans' Council
Veterans' Home
Youth Development Services

EDUCATION

Education
Postsecondary Education Commission
NH Community Technical College System
Sweepstakes Commission
University System of New Hampshire*



State of New Hampshire

DEPARTMENT OF ADMINISTRATIVE SERVICES
OFFICE OF THE COMMISSIONER
State House Annex • Room 120
25 Capitol Street
Concord, New Hampshire 03301

DONALD S. HILL
Commissioner
(603) 271-3201

December 1, 2000

To: The Citizens of New Hampshire,
Her Excellency the Governor
and the Honorable Council

In accordance with the Revised Statutes Annotated (RSA) 21-I:8,I(h), it is a pleasure to submit the Comprehensive Annual Financial Report (CAFR), covering the fiscal year ended June 30, 2000. We are proud to team up with the Department of Fish and Game, to highlight the state-wide conservation efforts. The land protection efforts sponsored by many public and private partnerships are working towards maintaining New Hampshire's quality of life, which is key to attracting business and people for future economic growth.

This report has been prepared by the state Department of Administrative Services and responsibility for both the accuracy of the data presented and completeness and fairness of the presentation, including all disclosures, rests with the state. The general purpose financial statements, considered by management to present fairly and consistently the state's financial position and results of operations, are based on generally accepted accounting principles (GAAP).

The CAFR is presented in three major sections:

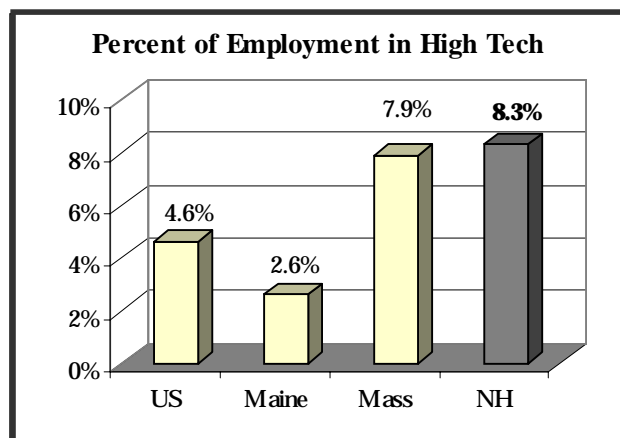
- The Introductory Section includes this transmittal letter, the state's organization chart, and summary financial information.
- The Financial Section includes the independent auditors' report, general purpose financial statements, and combining financial statements and schedules.
- The Statistical Section contains selected financial, demographic, and economic data.

The financial reporting entity includes all funds and account groups of the state as legally defined, as well as all of its component units. Component units are legally separate entities for which the state is financially accountable. Note 1 of the Notes to the General Purpose Financial Statements provides a more complete description of the state's reporting entity. The state provides a full range of services including: the construction and maintenance of highways and infrastructure, education, social and health services, public safety, conservation of natural resources, economic development, and recreation facilities and development.

ECONOMIC CONDITION AND OUTLOOK

New Hampshire and the New Economy

This knowledge-based new economy is characterized by globalization and innovative spirit. Its foundation relies on a well skilled and educated workforce. New Hampshire's economic vitality supports its move into the new economy era. New Hampshire has outperformed all New England in terms of growth in population, employment, income and gross state product through post WWII period and post recession (1988-1992).



The number of high tech firms in New Hampshire has grown faster than any other industry. Currently New Hampshire is ranked 2nd in high tech employment, down from 1st last year primarily due to labor supply shortages. New Hampshire has 75% of its high tech employment in manufacturing, significantly higher than New England and the nation. It is built upon New Hampshire's strong manufacturing tradition, which employs over 105,000 workers in the state.

New Hampshire continues to lead New England and the nation in quality of life rankings. New Hampshire moved from 8th in the nation to 5th in terms of "most livable state" and gained top rankings in terms of favorable tax climate, healthiest state and standard of living.

NH's Labor Force

New economy firms locate where their most valued workers want to live and work. New Hampshire continues to have top rankings among the 50 states that indicates New Hampshire continues to be an attractive place to live. The in-migration of skilled workers and entrepreneurs has helped New Hampshire and E-Coast (Greater Portsmouth) prosper.

- New Hampshire had the 2nd lowest unemployment rate in the US last year (2.8% as of June 2000)
- New Hampshire has ranked 1st in the Northeast in percent of population moving into the state since 1980
- Over 50% of the in-migrants are from other New England states
- E-Coast has the highest in-migration in New Hampshire
- Magnets include New Hampshire's relatively low tax burdens and economic opportunities

New Hampshire's Economic Scoreboard for 2000

<i>Categories</i>	<i>NH's National Rank</i>	<i>NH's Rank in New England</i>
Favorable Tax Climate	1st	1st
Healthiest State (Morgan Quitno, 2000)	1st	1st
Standard of Living (by Poverty Rate)	1st	1st
Child and Family Well-Being (Annie E. Casey, 2000)	2nd	1st
Safest State (Morgan Quitno, 2000)	2nd	1st
Most Livable State (Morgan Quitno, 2000)	5th	1st
College Graduation Rate	12th	4th

Source: New Hampshire Economic Review, Public Service of New Hampshire

Source: Information supplied by Ross Gittell, Whittemore School of Business and Economics, UNH and *The White Paper* sponsored by Network NH.

MAJOR INITIATIVES

Health Care

The HMO Accountability Act went into effect in September 2000, providing New Hampshire families with the information and tools they need to hold their HMOs accountable for providing the health care that families need. The Act establishes an independent review of HMO decisions to deny medical care, requires HMOs to reveal any financial incentives that may influence decisions on patient care, and subjects HMO medical directors to the New Hampshire Board of Medicine, just like other doctors.

In two years, the state's innovative Children's Health Insurance Program has enrolled more than 10,000 children, making it one of the nation's most successful programs.

New Hampshire is a leader in designing innovative solutions to help its citizens save on the cost of prescription drugs. The state is requesting a federal waiver to launch the SenioRx program, which will allow low and moderate-income seniors to pay the same reduced cost for prescriptions that the state does. In addition, New Hampshire is joining forces with Vermont and Maine to create the nation's first multi-state prescription drug purchasing pool, which will reduce prescription drug costs.

Economic Development

New Hampshire is a leader in the new economy, with one of the highest concentrations of high-tech workers in the nation and has over 1,000 software companies. The state's unemployment rate continues to be one of the lowest in the nation, with one of the fastest growing economies.

New Hampshire is working to ensure its citizens are prepared for the jobs of the 21st century. That's why the state has increased its investment in New Hampshire's university system and community technical colleges and is reforming its job training and job placement systems to make sure our citizens have the skills they need for today's jobs.

New Hampshire has one of the highest rates of growth in international trade in the nation. New Hampshire is working to continue to open foreign markets for New Hampshire businesses. Governor Shaheen led two highly successful trade missions, to the United Kingdom and Ireland in 1997, and to Germany and Denmark in 2000, that will result in an estimated \$500 million in sales for New Hampshire businesses. In October 2000, New Hampshire became the first American state to open a trade office in Ireland.

New Hampshire has increased its investment in the state's second-largest industry, tourism, by 70 percent. Studies show that every dollar invested in promoting tourism returns more than \$9 in state and local revenues and turns over 75 times in the economy.

The Business Partners for Child Care and Early Childhood Education is working with the business community to improve child care and help encourage family-friendly work policies.

Lowering Electric Rates

The state enacted legislation that led to a 5 percent rate cut for Public Service Company of New Hampshire customers in October 2000, and when fully enacted, will lead to even lower electric rates and bring electric competition to New Hampshire.

Infrastructure

New Hampshire is making critical investments in its roads, bridges and other infrastructure. The state has completed work on the expansion of the Everett Turnpike and has nearly finished work on Route 101, with projects several years ahead of schedule. The state has removed a number of bridges from the red list of deficient bridges. In addition, the state completed a new \$6.7 million bus terminal and 500-space Park and Ride at Pease Tradeport that is expected to serve over 250,000 commuters. New Hampshire is also working to relieve congestion on our roadways by giving residents alternative ways to travel – including rail. The state is working with national, state and local officials to establish local rail service between Nashua and Lowell, Massachusetts, and is constructing passenger rail stations in Dover, Durham and Exeter to accommodate Amtrak's new Boston to Portland route.

Education

New Hampshire has fundamentally changed the way it pays for education, moving from paying less than 10 percent of the costs of education statewide to over 60 percent. The interim school-funding law allowed 80 percent of New Hampshire communities to lower their property taxes or invest more in their schools.

Recently, the state unveiled its first school report cards, giving parents and community members an important new tool to evaluate the performance of their local schools. The report cards, available on the Internet at www.state.nh.us, offer parents and communities a wide range of information, including graduation rates, number of students going on to college, state assessment test scores, teacher-to-student ratios, student-to-computer ratios, and school finances.

More than 1,800 additional five-year-olds are attending public kindergarten this year because of New Hampshire's kindergarten initiative. In the last three years, state government has provided financial assistance to 29 communities to open their first public kindergartens.

Environment

New Hampshire took a great step forward in protecting its unique natural, cultural and historic resources with the creation last year of the Land and Community Heritage Investment Program. This public-private program will help preserve New Hampshire's open spaces and public places well into the future. In addition, the state is adopting policies to ensure it does not contribute to sprawl.

State government is also working to ensure our citizens have clean water and air. Since 1998, New Hampshire has reduced by 37 percent the mercury emissions that contaminate the state's water supply and jeopardize the health of people and wildlife. New Hampshire is also a leader in advocating for stringent national clean air standards and for a crackdown on the coal-generating plants in the Midwest that contribute to air quality problems in New Hampshire.

Making Government Work Better

State government is committed to continually improving the way it serves citizens. A task force will soon recommend a number of ways the state can use new technology to better serve citizens. In addition, Governor Shaheen's Kids Cabinet brings together the state's top officials to improve how the state helps children and families. The Cabinet is working on a number of initiatives, including improving child care, increasing the number of children who have health coverage and reducing youth substance abuse.

A 1998 executive order directing state agency heads to develop improved workplace health and safety guidelines has helped the state achieve significant savings on its workers' compensation costs.

New Hampshire has begun a major project to make state buildings more energy efficient that, when fully implemented, will save the state an estimated \$4 to \$8 million a year on its energy bills and help reduce pollution.

FINANCIAL INFORMATION

Five Year Summary of General and Education Funds Unrestricted Revenue GAAP Basis (In Millions)

	FY 96	FY 97	FY 98	FY 99	FY 00		
					General	Education	Total
Business Tax.....	\$ 177.7	\$ 210.2	\$ 238.5	\$ 257.8	\$ 240.8	\$ 76.5	\$ 317.3
Meals & Rooms Tax	113.4	119.0	128.7	137.3	149.8	6.3	156.1
Tobacco Tax.....	44.5	50.4	76.1	73.8	68.4	26.6	95.0
Liquor Sales and Distribution	66.0	71.7	75.4	77.4	86.0		86.0
Interest & Dividends Tax.....	51.9	52.7	61.8	63.1	65.5		65.5
Insurance Tax.....	50.5	57.2	54.7	62.9	59.3		59.3
Communications Tax.....	35.5	39.3	40.1	46.2	47.8		47.8
Real Estate Transfer Tax.....	30.2	33.3	44.2	52.9	56.8	28.2	85.0
Estate and Legacy Tax.....	33.3	40.7	43.3	54.7	56.4		56.4
Sweepstakes Transfers.....						61.5	61.5
Tobacco Settlement.....					0.4	53.8	54.2
Utility Property Tax.....						31.2	31.2
Statewide Property Tax (1).....						24.2	24.2
Other.....	124.3	125.2	133.5	127.0	128.1	2.9	131.0
Subtotal.....	727.3	799.7	896.3	953.1	959.3	311.2	1,270.5
Net Medicaid Enhancement Revenues	102.0	54.3	67.5	70.4	74.2		74.2
Subtotal.....	829.3	854.0	963.8	1,023.5	1,033.5	311.2	1,344.7
Other Medicaid Enhancement Revenues to Fund Net Appropriations.....	(10.5)	43.5	9.2	15.9	12.9		12.9
Total.....	\$ 818.8	\$ 897.5	\$ 973.0	\$ 1,039.4	\$ 1,046.4	\$ 311.2	\$ 1,357.6

(1) Represents only that portion collected by municipalities above the local adequacy level.

In Fiscal 2000, in response to the education lawsuit, the state dramatically increased funding for education and made significant changes to its tax structure; including increases in business, rental cars, real estate transfer, and tobacco taxes. Additional funding was also available from transfers from other funds, including Sweepstakes Commission, General Fund, and the tobacco settlement.

Since many of the tax changes were increases in the state's traditional taxes, the general and education funds are presented together. Unrestricted revenue from traditional taxes was \$1,270.5 million for fiscal 2000, a 33.3% increase over the prior year. General and education revenue totaled \$959.3 million and \$311.2 million, respectively. Revenue allocated to the general fund showed minimal increase, since the anticipated revenue growth and tax changes were earmarked for the education fund.

Net Appropriations - General Fund

Significant increases in General Fund spending occurred over fiscal year 1999, and include the following:

- 3% pay raise effective October 1, 1999 (\$5.5 million),
- start up and operating costs for the new correctional facility in Berlin (\$3.3 million),
- increase in normal contributions to the retirement system and retirees health insurance (\$3.5 million), and
- increase in revenue sharing to cities and towns (\$5.0 million).

While Medicaid enhancement revenues exceeded the plan by \$10.3 million this year, pursuant to Chapter 225 Laws of 1999, the Department of Health and Human Services was allowed to appropriate these funds to cover budgetary shortfalls in other programs.

Surplus Statement General and Education Funds

The June 30, 2000 general fund surplus balance increased to \$4.0 million. Revenue collected during fiscal 2000 remained on target with projections, while year end lapses were greater than anticipated. Due to tight labor markets and high turnover among state employees, the year end lapses from salary appropriations exceeded expectations and totaled \$12.3 million. Also, the Department of Health and Human Services was again able to maximize federal revenue that supported program appropriations in amounts greater than anticipated.

The Rainy Day Fund remained at \$20.0 million this year and the Health Care Fund increased by \$1.5 million to \$45.0 million.

GAAP Basis (In Millions)	FY 99 General	FY 2000		
		General	Education	Total
Surplus Fund Balance, July 1	\$ 41.4	\$ -	\$ 124.8	\$ 124.8
Additions:				
Unrestricted Revenues (net)	1,023.5	1,033.5	311.2	1,344.7
Transfers from General Fund			39.6	39.6
Net Additions	1,023.5	1,033.5	350.8	1,384.3
Deductions:				
Appropriations Net of Estimated Revenues	983.6	1,081.1	409.3	1,490.4
Lapses	(42.8)	(34.8)		(34.8)
Net Deductions	940.8	1,046.3	409.3	1,455.6
Other:				
GAAP and Other Adjustments	(1.5)	10.9		10.9
HHS Revenue Enhancements	7.5	7.4		7.4
Net Other	6.0	18.3		18.3
Current Year Balance	88.7	5.5	(58.5)	(53.0)
Fund Balance Transfers (To)/From:				
Health Care Fund	(5.3)	(1.5)		(1.5)
Education Betterment Fund	(124.8)			
Surplus Fund Balance, June 30,	\$ -	\$ 4.0	\$ 66.3	\$ 70.3
Reserved for Education Betterment Fund	\$ 124.8			
Reserved for Rainy Day Fund	\$ 20.0	\$ 20.0		\$ 20.0
Reserved for Health Care Fund	\$ 43.5	\$ 45.0		\$ 45.0

Five Year Summary of General Fund Revenues and Expenditures GAAP Basis (In Millions)

	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
Total Revenues and Transfers In	\$ 1,102	\$ 1,199	\$ 1,278	\$ 1,360	\$ 1,313
Total Expenditures and Transfers Out	1,131	1,187	1,241	1,272	1,412
Revenues over (under) Expenditures	\$ (29)	\$ 12	\$ 37	\$ 88	\$ (99)

School Funding

In June 1991 five school districts commenced an action (Claremont School District) against the State, challenging the constitutionality of the State's statutory system of financing the operation of elementary and secondary public schools. The New Hampshire Supreme Court ruled that the State's system of financing elementary and secondary public education primarily through local property taxes was unconstitutional. The Court also stated that the state is required to provide an adequate public education and to guarantee funding.

The Legislature set an initial cost of funding adequate education at \$825 million annually. A variety of funding sources were earmarked for adequate education funding and include the following:

- transfer of \$124.8 million of accumulated General Fund surplus at June 30, 1999;
- establishment of a statewide education property tax at a rate of \$6.60 on each \$1,000 of value of taxable property (sunsets January 2003);
- increases in the business profits tax, the business enterprise tax, the tobacco tax, and the real estate transfer tax;
- extension of the meals and rooms tax to the rental of motor vehicles;
- a portion of tobacco settlement funds and profits from the Sweepstakes Commission; and
- continuation of general funded appropriations for education in the amount of approximately \$40 million per year.

While the legislation provided for increased funding a fiscal year 2001 current year operating deficit of \$107.5 million and a cumulative deficit of \$41.2 million at June 30, 2001 is projected in the education trust fund. The deficit will increase substantially in future years until a long-term solution is found.

General Government Operations

The general government operations of the state are recorded in the General Fund and the special revenue funds. These funds capture the normal recurring activities of the state. The special revenue funds are the Highway Fund, the Fish and Game Fund, the Special Fund (primarily used to account for major federal grants), and the Education Trust Fund.

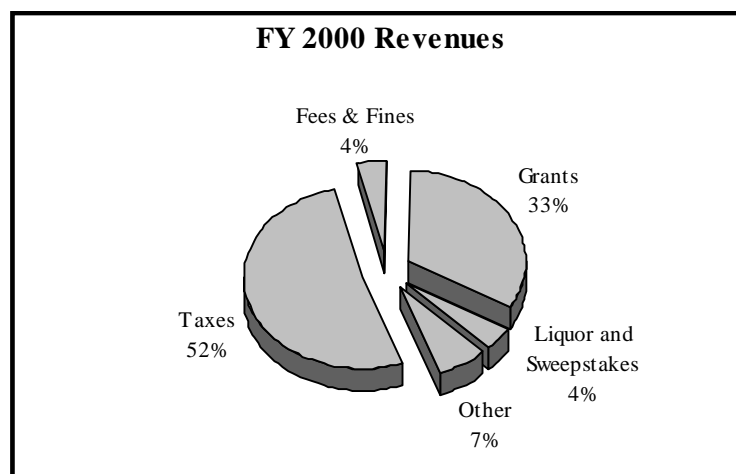
Revenues

The following table summarizes the revenues for the general operations of the state (expressed in millions). The Liquor and Sweepstakes transfers are included as revenues for this analysis since these proceeds are used to finance the general operations of the state.

Revenues	FY 2000 Amount	FY 1999 Amount	Increase (Decrease)	% Increase (Decrease)
Taxes	\$ 1,698	\$ 1,073	\$ 625	58.2 %
Fees and Fines	131	126	5	4.0
Grants from Federal Government	958	914	44	4.8
Grants from Private and Local Sources	113	116	(3)	(2.6)
Sale of Services and Commodities	86	90	(4)	(4.4)
Assessments	22	17	5	29.4
Grants from Other Agencies	3	5	(2)	(40.0)
Liquor and Sweepstakes Transfers	138	133	5	3.8
Miscellaneous	119	61	58	95.1
Total	\$ 3,268	\$ 2,535	\$ 733	28.9 %

Discussion of significant changes:

- Increases in tax revenues this year can be attributed to the strong economy and the tax rate increases associated with the education funding legislation. The statewide education property tax generated \$442 million in new state funding for schools. Increases in the rate or application of the Business Profits Tax, the Business Enterprise Tax, the Real Estate Transfer Tax, and the Meals and Rooms Tax also generated new funding that was dedicated to the Education Trust Fund.
- Federal grants showed a sharp increase because of major funding of important highway projects. Increased federal support can also be seen in social services and education.
- The large increase in miscellaneous revenue is the receipt of \$54 million from the tobacco companies called for in the master settlement agreement.



Expenditures

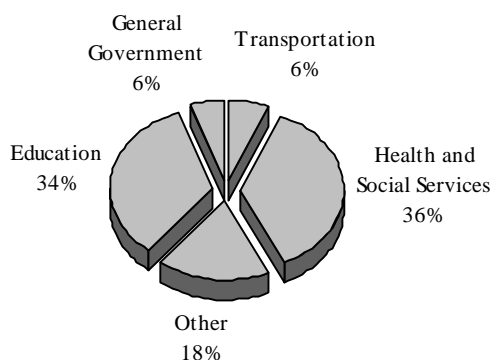
The following table summarizes the expenditures for the general operations of the state (expressed in millions). The General Fund transfers out to the University System of New Hampshire are included as expenditures for this analysis since they are considered to be activities of the primary government.

Expenditures	FY 2000 Amount	FY 1999 Amount	Increase (Decrease)	%Increase (Decrease)
General Government	\$ 184	\$ 179	\$ 5	2.8 %
Administration of Justice and Public Protection	201	193	8	4.1
Resource Protection and Development ...	119	114	5	4.4
Transportation	212	201	11	5.5
Health and Social Services	1,211	1,178	33	2.8
Education	1,107	342	765	223.7
Debt Service	81	79	2	2.5
Capital Outlay	185	156	29	18.6
Total	\$ 3,300	\$ 2,442	\$ 858	35.1 %

Discussion of significant changes:

- Education expenditures increased significantly because of the Supreme Court's Claremont II decision, which mandated that the state determine what an adequate education is and provide the requisite funding.
- The increasing costs of Medicaid related programs are the most significant contributors to Health and Social Services.
- Work on the state's highway system, including major projects on the F.E. Everett Turnpike and Route 101, accounted for most of the increase in capital outlay.

FY 2000 Expenditures



Enterprise Funds

The state's enterprise funds account for the self-supporting activities of state governmental units which render services on a user-charge basis to the general public. These funds account for the activities of the Liquor Commission, the Sweepstakes Commission, and the Turnpike System.

Net proceeds from operations of the Liquor Commission are transferred to the General Fund and are used to fund the general operations of the state. Increases in Liquor Commission profits resulted from successful marketing strategies for wine that have included discounts on case lots and specific promotional campaigns. Profits have also increased by aggressively controlling operating and overhead costs. The transfer from the Liquor Fund to the General Fund in fiscal year 2000 equaled \$76.2 million, a \$7.9 million increase over fiscal year 1999.

Net proceeds from operations of the Sweepstakes Commission are transferred to the Education Fund. The transfer from the Sweepstakes Fund to the Education Fund in fiscal year 2000 equaled \$61.5 million, a \$3.1 million decrease from fiscal year 1999. The decrease can be attributed to a drop in net profit from powerball sales of \$4.6 million offset by an increase in net profit from instant ticket sales of \$1.5 million.

The New Hampshire Turnpike System operates a self-supporting toll road which presently consists of approximately 94 miles of limited access highway, 37 miles of which are part of the U.S. Interstate Highway System. All revenues derived by the Turnpike System are used for operations, maintenance and repair, and the timely payment of principal and interest on debt.

Budgetary Process

The state budget is prepared on a biennial basis. Prior to the start of each biennium, all departments of the state are required by law to transmit to the commissioner of the Department of Administrative Services requests for capital and operating expenses and estimates for revenue for the ensuing biennium. Following public hearings and consultation with various department heads, the Governor prepares a recommended budget. The budget is forwarded to the Legislature by February 15th of the odd year for consideration. The Legislature performs its review of the proposed budget and can make further adjustments. The budget passed by the Legislature is forwarded to the Governor to be enacted into law or to be vetoed.

The legal level of budgetary control is at the department level. All departments are authorized to transfer appropriations within their departments with prior approval from the Legislative Fiscal Committee and the Executive Council.

Internal Controls

Major fiscal responsibilities within the state are segregated among the following officials:

- **Department of Administrative Services** - The commissioner of Administrative Services, the assistant commissioner/budget officer and the comptroller are responsible for enforcing financial policy guidelines, developing the executive budget, collecting financial data from individual agencies, developing and reviewing appropriation control procedures, and compiling agency financial information.

- **Legislative Budget Assistant (LBA)** - The LBA, appointed by the Fiscal Committee, is responsible for ensuring that an annual audit is conducted of the state's general purpose financial statements prepared by the Department of Administrative Services. The LBA also provides staff assistance to the finance committees of the state Legislature. The LBA Audit Division performs various financial, compliance, and performance audits of state agencies.

- **State Treasurer** - The state treasurer, elected by the Legislature, is responsible for executing policy for the management of the state treasury and depositing and investing state funds as well as the issuing of general obligation and revenue bonds.

- **State Agencies** - Agency commissioners and directors are responsible for administering their agencies, in accordance with legislative and executive directives, to effectively service the citizens of the state.

Financial transactions for the various state agencies are recorded in the New Hampshire Integrated Financial System (NHIFS). The state's centralized accounting system and other accounting procedures were designed to provide various controls to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use and the proper recording of financial transactions. The Department of Administrative Services prepared the Internal Controls Tool Kit to further educate agency personnel in the importance of maintaining an effective internal control structure.

Component Units

The state's financial reporting entity consists of the primary government, composed of the funds and departments or agencies of the state, and five discretely presented component units. Component units are organizations which are legally separate from the state, but for which the state is deemed "financially accountable" under the various criteria set forth in GASB Statement No. 14. The Business Finance Authority, the Pease Development Authority, the University System of New Hampshire, the New Hampshire Retirement System, and the Community Development Finance Authority are the five component units whose financial statements have been discretely presented in the state's CAFR for the year ended June 30, 2000.

Cash and Investments

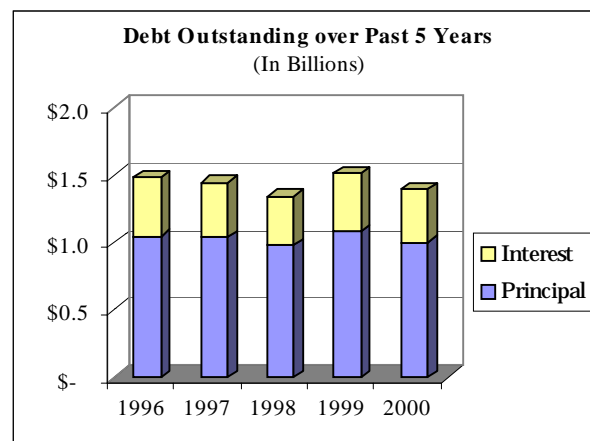
Cash deposits into the state treasury are coordinated jointly by the state treasurer and the state agencies. Cash is managed in pooled investment funds in order to maximize interest earnings. Investments are made in accordance with state statutes. Cash is primarily invested in United States Treasury and agency obligations and certificates of deposit. For the fiscal year ended June 30, 2000, the average daily balance of pooled investment funds was estimated at \$392.4 million, with an average yield of 5.1%. Total investment income was \$19.8 million for the year.

Debt

The state may issue general obligation bonds, revenue bonds, and notes in anticipation of such bonds authorized by the Legislature and Governor and Council. The state may also directly guarantee certain authority or political subdivision obligations. The state has entered into lease-purchase agreements, but they are not material in the aggregate. At year-end, the state's general obligation bonds were rated AA+ by Standard and Poor's Corporation, Aa2 by Moody's Investors Service, and AA+ by Fitch IBCA. The state had approximately \$592.1 million in general obligation bonds and \$338.1 million of Turnpike revenue bonds outstanding at year-end (net of unamortized discounts).

The state had \$50 million of bond anticipation notes outstanding at June 30, 2000. Of this amount \$34.9 million (4.3%) mature on December 6, 2000 and \$15.1 million (4.4%) mature on February 14, 2001.

The state does not have any debt limitations, except for contingent debt guarantees which are detailed in the Notes to the General Purpose Financial Statements.



Insurance

Historically, the state has assumed the risk for fire, property, and general liability purposes, except where the provisions of law allow for the purchase of commercial insurance or where commercial insurance has been proven beneficial to the general public. Commercial insurance is purchased by the state to cover such things as fleet automobile, watercraft and aircraft liability, ski area operations to protect the state from liabilities resulting from the state run facility, and a faithful performance position schedule bond to protect against dishonest acts of employees.

Prior to July 1985, the state relied on the doctrine of sovereign immunity. Subsequently, legislation became effective creating the statute "Claims Against the State" in which sovereign immunity was waived to certain limits and would allow certain types of actions and claims to be brought against the state. The limits set by the statute are the basis for risk management programs.

OTHER INFORMATION

Audits

Pursuant to RSA 21-I:8,I(h), the Legislative Budget Assistant may designate a certified public accountant not employed in state service to conduct an annual audit, in accordance with Generally Accepted Auditing Standards, of the state's general purpose financial statements. KPMG LLP, the designated certified public accountant, has performed an independent audit of the state's general purpose financial statements for the fiscal year ended June 30, 2000.

In order to comply with the Single Audit Act of 1984, the Legislative Budget Assistant also contracts for a single audit of the state as a whole, which will include a legal compliance report on all federal funds received by the state. This report (including a Schedule of Expenditures of Federal Awards received by the state and comments on internal accounting controls and compliance with laws, rules and regulations) will be published separately.

Certificate of Achievement

The Government Finance Officers Association of the United States of America and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the state of New Hampshire for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 1999. This was the third consecutive year that the state received this prestigious award.

In order to be awarded a certificate of achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A certificate of achievement is valid for a period of one year only. We believe our current report continues to comply with the program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

Annual Report to the Citizens

Again in fiscal year 2000, the Department of Administrative Services published the *Annual Report to the Citizens*. That report presents a simplified version of the financial information contained in the CAFR, as well as an overview of state operations and other nonfinancial data. A copy of the report may be obtained from the Department of Administrative Services, 25 Capitol St. Rm 413, Concord NH 03301, or from the department's web site at <http://www.state.nh.us/das/accounting/reports.htm>.

Acknowledgements

In submitting this report, I acknowledge the cooperation and assistance of all the state agencies and the dedication of the employees of the Department of Administrative Services.

Respectfully submitted,

Donald S. Hill, Commissioner

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of
New Hampshire

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1999

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Anne Spray Kinsey
President

Jeffrey L. Essler
Executive Director



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INDEPENDENT AUDITORS' REPORT

To the Fiscal Committee of the General Court
State of New Hampshire
Concord, New Hampshire

We have audited the accompanying general purpose financial statements of the State of New Hampshire as of and for the year ended June 30, 2000. These general purpose financial statements are the responsibility of the State of New Hampshire's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit any of the financial statements of component units except the New Hampshire Retirement System which represents 87% of the Component Unit assets on page 21 and 100% of the Pension Trust fund on page 28. In addition, we did not audit the financial statements of the New Hampshire Public Deposit Investment Pool which comprises 42% of Fiduciary Fund Type assets on page 21 and 100% of the Investment Trust fund on page 28. The entities we did not audit were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to data included for those entities, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of New Hampshire as of June 30, 2000, and the results of its operations, and cash flows of its proprietary fund types, nonexpendable trust funds, and discretely presented component units for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Fiscal Committee of the General Court
State of New Hampshire
Page 2

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements and schedules as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the State of New Hampshire. Such information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 1, 2000, on our consideration of the State of New Hampshire's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We did not audit the data included in the introductory and statistical sections of this report and, accordingly, express no opinion thereon.

KPMG LLP

December 1, 2000

**COMBINED BALANCE SHEET ALL FUND TYPES, ACCOUNT GROUPS, AND
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2000
(Expressed in Thousands)**

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPE
	General	Special Revenue	Capital Projects	Enterprise
ASSETS AND OTHER DEBITS				
Cash and Cash Equivalents (Note 3).....	\$ 85,131	\$ 200,538		\$ 21,023
Investments (Note 3).....	3,532			
Receivables (Net of Allowances for Uncollectibles) (Note 4).....	83,707	164,396	\$ 2,748	11,463
Due from Other Funds (Note 8).....	12,953	11,131		3,663
Due from Component Units (Note 8).....	55,926	6,444		
Inventories.....	5,097	6,007		20,037
Other Assets.....	89			115
Loans and Notes Receivable (Note 4).....		128,986		
Restricted Assets:				
Cash and Cash Equivalents (Note 3).....				3,533
Investments (Note 3).....	44,661			82,758
Receivables	324			
Deferred Charges.....				3,208
Fixed Assets (Net of Accumulated Depreciation) (Note 5).....				519,234
Amounts to be Provided in Future Years (Note 6).....				
Total Assets and Other Debits.....	\$ 291,420	\$ 517,502	\$ 2,748	\$ 665,034
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts Payable.....	\$ 57,247	\$ 111,961	\$ 5,095	\$ 29,490
Accrued Payroll.....	12,942	6,142		1,036
Due to Other Funds (Note 8).....	13,552		12,953	1,242
Due to Primary Government (Note 8).....				
Deferred Revenue (Notes 4 and 8).....	62,904	136,220	2,356	2,558
Unclaimed Property and Prizes.....	5,114			4,371
Short Term Notes (Note 6).....			50,000	
Other Liabilities.....	187			310
Custodial Funds Payable.....				
General Obligation Bonds Payable - Current (Note 6).....				4,192
Liabilities Payable from Restricted Assets.....				11,548
General Obligation Bonds Payable Non-current (Note 6).....				26,222
Revenue Bonds Payable (Net of Unamortized Discount) (Note 6).....				331,307
Compensated Absences and Accrued Employee Benefits (Note 6)...				3,733
Other Long-term Debt (Note 6).....				
Total Liabilities.....	151,946	254,323	70,404	416,009
EQUITY AND OTHER CREDITS:				
Investment in General Fixed Assets.....				
Contributions from Other Funds.....				14,410
Contributed Capital, Net of Amortization (Note 10).....				35,425
Retained Earnings.....				199,190
Equity Component Units.....				
Fund Balances:				
Reserved for Unemployment Compensation Benefits.....				
Reserved for Various Trust Funds.....				
Reserved for External Investment Pool Participants.....				
Reserved for Encumbrances.....	19,939	180,881	28,179	
Reserved for Inventories.....	5,097	6,007		
Reserved for Unexpended Appropriations.....	45,479	22,390	96,423	
Reserved for Revenue Stabilization.....	19,975			
Reserved for Health Care Fund.....	44,985			
Unreserved, Undesignated (Deficit) (Note 9).....	3,999	53,901	(192,258)	
Total Equity (Deficit) and Other Credits.....	139,474	263,179	(67,656)	249,025
Total Liabilities, Equity and Other Credits.....	\$ 291,420	\$ 517,502	\$ 2,748	\$ 665,034

The notes to the financial statements are an integral part of this statement.

FIDUCIARY FUND TYPES	ACCOUNT GROUPS		Totals (Memorandum Only)		Totals (Memorandum Only)	
	General Fixed Assets	General Long-Term Debt	Primary Government	Component Units	Reporting Entity	
\$ 12,497			\$ 319,189	\$ 534,301	\$ 853,490	
830,892			834,424	5,057,249	5,891,673	
9,134			271,448	201,607	473,055	
			27,747		27,747	
			62,370		62,370	
71			31,212		31,212	
			204	16,951	17,155	
			128,986	23,614	152,600	
			3,533	9,186	12,719	
			127,419	10,677	138,096	
			324	14,004	14,328	
			3,208		3,208	
	\$ 753,284		1,272,518	429,464	1,701,982	
		\$ 640,780	640,780		640,780	
\$ 852,594	\$ 753,284	\$ 640,780	\$ 3,723,362	\$ 6,297,053	\$ 10,020,415	
			\$ 203,793	\$ 27,020	\$ 230,813	
			20,120	10,469	30,589	
			27,747		27,747	
				62,370	62,370	
			204,038	18,027	222,065	
			9,485		9,485	
			50,000		50,000	
\$ 13,054			13,551	701,691	715,242	
150,676			150,676		150,676	
			4,192	1,000	5,192	
			11,548	11,648	23,196	
		\$ 561,696	587,918	19,663	607,581	
			331,307		331,307	
		64,415	68,148	57,973	126,121	
		14,669	14,669	95,532	110,201	
163,730		640,780	1,697,192	1,005,393	2,702,585	
	753,284		753,284		753,284	
			14,410		14,410	
			35,425		35,425	
			199,190		199,190	
				5,291,660	5,291,660	
322,330			322,330		322,330	
20,367			20,367		20,367	
346,167			346,167		346,167	
			228,999		228,999	
			11,104		11,104	
			164,292		164,292	
			19,975		19,975	
			44,985		44,985	
			(134,358)		(134,358)	
688,864	753,284		2,026,170	5,291,660	7,317,830	
\$ 852,594	\$ 753,284	\$ 640,780	\$ 3,723,362	\$ 6,297,053	\$ 10,020,415	

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPE	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
REVENUES:					
General Property Taxes.....	\$ 414	\$ 473,292			\$ 473,706
Special Taxes.....	682,040	171,206			853,246
Personal Taxes.....	68,337	26,650			94,987
Business License Taxes.....	73,261	137,171			210,432
Non-Business License Taxes.....	5,594	60,360		\$ 35,909	101,863
Fees.....	64,540	36,707			101,247
Fines, Penalties and Interest.....	27,482	1,896			29,378
Grants from Federal Government.....	161,040	796,629	\$ 16,495		974,164
Grants from Private and Local Sources.....	25,850	87,243	119		113,212
Rents and Leases.....	1,430				1,430
Interest, Premiums and Discounts.....	3,436	13,431		20,361	37,228
Sale of Commodities.....	4,050	6,234	17		10,301
Sale of Services.....	69,788	5,704			75,492
Assessments.....	19,408	3,026			22,434
Grants from Other Agencies.....	1,241	2,011			3,252
Miscellaneous.....	28,214	71,945		3,911	104,070
Total Revenues.....	1,236,125	1,893,505	16,631	60,181	3,206,442
EXPENDITURES:					
Current:					
General Government.....	143,681	40,409			184,090
Administration of Justice and Public Protection.....	163,410	37,752			201,162
Resource Protection and Development.....	41,917	76,867			118,784
Transportation.....	5,675	205,764			211,439
Health and Social Services.....	388,920	821,803		39,103	1,249,826
Education.....	102,720	932,666			1,035,386
Debt Service.....	74,299	6,929			81,228
Capital Outlay.....	17,983	167,408	61,599	2,786	249,776
Total Expenditures.....	938,605	2,289,598	61,599	41,889	3,331,691
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	297,520	(396,093)	(44,968)	18,292	(125,249)
OTHER FINANCING SOURCES (USES):					
Operating Transfers In.....	778	401,976	64		402,818
Enterprise Transfers In.....	76,178	61,517			137,695
Operating Transfers Out.....	(401,263)	(1,555)			(402,818)
Transfers Out to Component Unit.....	(71,766)		(6,527)		(78,293)
Total Other Financing Sources (Uses).....	(396,073)	461,938	(6,463)		59,402
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....	(98,553)	65,845	(51,431)	18,292	(65,847)
Fund Balances (Deficit) - July 1.....	239,010	196,031	(16,225)	308,694	727,510
Change in Reserve for Inventory.....	(983)	1,303			320
Fund Balances (Deficit) - June 30.....	\$ 139,474	\$ 263,179	\$ (67,656)	\$ 326,986	\$ 661,983

The notes to the financial statements are an integral part of this statement.

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL AND SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)**

	General			Special Revenue		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
REVENUES:						
General Property Taxes.....	\$ 450	\$ 414	\$ (36)	\$ 472,975	\$ 473,292	\$ 317
Special Taxes.....	673,493	682,669	9,176	232,168	232,724	556
Personal Taxes.....	74,760	68,337	(6,423)	26,000	26,650	650
Business License Taxes.....	75,759	73,261	(2,498)	144,653	137,171	(7,482)
Non-Business License Taxes.....	4,529	5,752	1,223	59,407	60,360	953
Fees.....	67,810	65,325	(2,485)	44,926	36,733	(8,193)
Fines, Penalties and Interest.....	26,288	27,482	1,194	2,990	1,721	(1,269)
Grants from Federal Government.....	171,197	170,174	(1,023)	879,460	768,805	(110,655)
Grants from Private and Local Sources.....	27,939	27,692	(247)	93,999	28,096	(65,903)
Rents and Leases.....	5,377	5,499	122	37	323	286
Interest Premiums and Discounts.....	3,616	2,899	(717)	11,524	12,576	1,052
Sale of Commodities.....	1,124	3,908	2,784	4,724	6,146	1,422
Sale of Services.....	61,958	70,416	8,458	22,005	18,785	(3,220)
Assessments.....	23,403	21,546	(1,857)	3,417	3,026	(391)
Grants from Other Agencies.....	77,505	72,663	(4,842)	10,136	9,245	(891)
Miscellaneous.....	20,578	28,397	7,819	74,154	76,822	2,668
Total Revenue.....	1,315,786	1,326,434	10,648	2,082,575	1,892,475	(190,100)
EXPENDITURES:						
General Government.....	275,462	238,562	36,900	48,623	42,402	6,221
Administration of Justice and Public Protection.....	242,905	226,733	16,172	67,048	56,393	10,655
Resource Protection and Development.....	51,541	46,463	5,078	117,452	89,567	27,885
Transportation.....	10,569	9,377	1,192	400,440	365,990	34,450
Health and Human Services	420,896	401,186	19,710	840,722	803,808	36,914
Education.....	185,722	182,482	3,240	968,966	935,739	33,227
Total Expenditures.....	1,187,095	1,104,803	82,292	2,443,251	2,293,899	149,352
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	128,691	221,631	92,940	(360,676)	(401,424)	(40,748)
Other Financing Sources (Uses):						
Operating Transfers In.....	76,595	76,595		419,576	419,576	
Operating Transfers Out	(418,863)	(418,863)		(1,555)	(1,555)	
Total Other Financing Sources (Uses).....	(342,268)	(342,268)		418,021	418,021	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses..	(213,577)	<u>\$ (120,637)</u>	<u>\$ 92,940</u>	57,345	<u>\$ 16,597</u>	<u>\$ (40,748)</u>
Other Budget Items:						
Transfers from Available Funds.....	185,274			995		
Budget Lapses.....	28,303			15,258		
Net Budget.....	<u>\$ -0-</u>			<u>\$ 73,598</u>		



**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS OR FUND
BALANCES PROPRIETARY FUND TYPE, NONEXPENDABLE TRUST FUNDS, AND DISCRETELY PRESENTED
PROPRIETARY COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)**

	PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	Totals (Memorandum Only)	Totals (Memorandum Only)	
	Enterprise	Non- Expendable Trusts	Primary Government	Component Units	Reporting Entity
OPERATING REVENUES:					
Charges for Sales and Services.....	\$ 542,827		\$ 542,827	\$ 9,364	\$ 552,191
Contributions.....		\$ 5,192	5,192		5,192
Interest.....		571	571	1,111	1,682
Other.....		888	888	183	1,071
Total Operating Revenues.....	542,827	6,651	549,478	10,658	560,136
OPERATING EXPENSES:					
Cost of Sales and Services.....	333,923		333,923		333,923
Personnel Services.....	21,418		21,418	3,115	24,533
Supplies and Materials.....	1,515		1,515		1,515
Communication Services.....	417		417		417
Travel.....	247		247		247
Printing and Binding.....	163		163		163
Advertising.....	3,491		3,491	355	3,846
Heat, Light and Power.....	1,770		1,770		1,770
Rent.....	2,037		2,037		2,037
Repairs.....	6,126		6,126		6,126
Payroll Benefits.....	6,525		6,525		6,525
Indirect Costs.....	1,219		1,219		1,219
Enforcement.....	3,880		3,880		3,880
Benefits and Refunds.....		4,915	4,915		4,915
Miscellaneous.....	2,684	910	3,594	5,504	9,098
Depreciation.....	11,656		11,656	3,578	15,234
Total Operating Expenses.....	397,071	5,825	402,896	12,552	415,448
Operating Income (Loss).....	145,756	826	146,582	(1,894)	144,688
NONOPERATING REVENUES (EXPENSES):					
Licenses.....	3,047		3,047		3,047
Beer Taxes.....	11,878		11,878		11,878
Investment Revenue.....	2,589		2,589	1,874	4,463
Miscellaneous.....	3,226		3,226	(906)	2,320
Interest on Bonds.....	(16,417)		(16,417)	(1,637)	(18,054)
Amortization of Bond Issuance Costs.....	(209)		(209)		(209)
Total Nonoperating Revenues (Expenses).....	4,114		4,114	(669)	3,445
Income (Loss) Before Operating Transfers.....	149,870	826	150,696	(2,563)	148,133
OPERATING TRANSFERS:					
To General Fund and Education Fund.....	(137,695)		(137,695)		(137,695)
Net Income (Loss).....	12,175	826	13,001	(2,563)	10,438
Add: Depreciation on Fixed Assets Acquired by Grants and Entitlements Externally Restricted for Capital Acquisitions and Construction Reducing Contributed Capital.....	807		807	1,813	2,620
Increase (Decrease) in Retained Earnings.....	12,982	826	13,808	(750)	13,058
Retained Earnings (Deficit) or Fund Balances - July 1.....	186,208	14,885	201,093	(2,710)	198,383
Retained Earnings (Deficit) or Fund Balances - June 30.....	\$ 199,190	\$ 15,711	\$ 214,901	\$ (3,460)	\$ 211,441

**COMBINED STATEMENT OF CASH FLOWS PROPRIETARY FUND TYPE, NONEXPENDABLE TRUST FUNDS,
AND DISCRETELY PRESENTED PROPRIETARY COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)**

	PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE Non- Expendable Trust	Totals (Memorandum Only) Primary Government	Component Units	Totals (Memorandum Only) Reporting Entity
Cash Flows from Operating Activities:					
Operating Income (Loss).....	145,756	826	146,582	(1,894)	144,688
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided by Operating Activities:					
Depreciation	11,656		11,656	3,529	15,185
Amortization.....	209		209	49	258
Change in Operating Assets and Liabilities:					
(Increase) Decrease in Receivables.....	(2,189)	193	(1,996)	(1,034)	(3,030)
(Increase) in Inventories.....	(1,088)		(1,088)		(1,088)
Decrease in Notes Recievabe.....				1,884	1,884
(Increase) in Other Assets.....				(4)	(4)
(Increase) Decrease in Prepaid Expenses.....	(113)		(113)		(113)
Loss on Sale of Fixed Asset.....	12		12		12
Increase (Decrease) in Accounts Payable and Other Accruals.....	(1,932)	(79)	(2,011)	2,523	512
Increase (Decrease) in Deferred Revenue.....	(197)		(197)	466	269
Net Cash Provided by Operating Activites.....	152,114	940	153,054	5,519	158,573
Cash Flows from Noncapital Financing Activities:					
Transfers to Other Funds.....	(141,699)		(141,699)		(141,699)
Proceeds from Collection of Licenses and Beer Tax.....	14,925		14,925		14,925
Net Cash (Used for) Noncapital and Related Financing Activities.....	(126,774)		(126,774)		(126,774)
Cash Flows from Capital and Related Financing Activities:					
Acquisition and Construction of Capital Assets.....	(22,020)		(22,020)	(4,042)	(26,062)
Repayment to Tenant.....				(26)	(26)
Increase in Contributed Capital.....	121		121	1,396	1,517
Repayments to Primary Government.....				(1,910)	(1,910)
Proceeds from Loans.....				462	462
Principal Received on Capital Leases.....				541	541
Interest Paid on Revenue and General Obligation Bonds.....	(21,892)		(21,892)	(1,637)	(23,529)
Principal Paid on Revenue and General Obligation Bonds.....	(10,818)		(10,818)	(900)	(11,718)
Contributions from Other Funds.....	827		827		827
Net Cash (Used for) Capital and Related Financing Activities.....	(53,782)		(53,782)	(6,116)	(59,898)

Continued...

**COMBINED STATEMENT OF CASH FLOWS PROPRIETARY FUND TYPE, NONEXPENDABLE TRUST FUNDS,
AND DISCRETELY PRESENTED PROPRIETARY COMPONENT UNITS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)**

	PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	Totals (Memorandum Only)	Totals (Memorandum Only)	
	Enterprise	Non- Expendable Trust	Primary Government	Component Units	Reporting Entity
Cash Flows from Investing Activities:					
Purchase of Investments.....	(27,880)	(995)	(28,875)	(276)	(29,151)
Proceeds from Maturities of Investments.....	47,842	168	48,010	745	48,755
Interest and Other Income.....	8,798	(208)	8,590	1,388	9,978
Net Cash Provided by (Used for)					
Investing Activities.....	28,760	(1,035)	27,725	1,857	29,582
Net Increase (Decrease) in Cash and Cash Equivalents.....	318	(95)	223	1,260	1,483
Cash and Cash Equivalents - July 1.....	24,238	796	25,034	15,397	40,431
Cash and Cash Equivalents -June 30.....	\$ 24,556	\$ 701	\$ 25,257	\$ 16,657	\$ 41,914

Reconciliation of Cash and Cash Equivalents to the Combined Balance Sheet:

Cash and Cash Equivalents for the Nonexpendable Trust Funds and the Component Units as of June 30, 2000, on the Combined Statement of Cash Flows are reconciled to the Cash and Cash Equivalents on the Combined Balance Sheet as follows:

**Cash and Cash Equivalents June 30, 2000:
(Expressed in Thousands)**

Fiduciary Fund Type:

Nonexpendable Trust Funds	\$ 701
Expendable Trust Funds	713
Investment Trust Fund	2,726
Agency Funds	8,357
Total Fiduciary Fund Type	\$ 12,497

Component Units:

College and University Funds.....	\$ 50,912
Pension Trust Funds	475,918
Proprietary Funds Unrestricted	7,471
Total Component Units Unrestricted	534,301
Proprietary Funds Restricted	9,186
Total Component Units	\$ 543,487

**COMBINED STATEMENT OF CHANGES IN NET ASSETS
INVESTMENT TRUST AND PENSION TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)**

ADDITIONS:**Contributions:**

Employer Normal and Accrued Liability.....	
State Contributions on Behalf of Local Employers.....	
Total Employer Contributions.....	
Plan Member.....	
Participant Contributions.....	
Post Retirement Medical Plan Contributions on Behalf of Employers...	
Total Contributions.....	

Investment Income:

Net Appreciation in Fair Value of Investments.....	
Interest.....	
Dividends.....	
Timberfund (Loss).....	
Alternative Investment Income.....	
Commercial Real Estate Operating Income.....	
Total Income from Investment Activities.....	

Less: Investment Expenses:

Investment Manager Fees.....	
Commercial Real Estate Operating Expense.....	
Custodial Fees.....	
Investment Advisor Fees.....	
Total Investment Activity Expenses.....	
Net Income from Investment Activities.....	

From Securities Lending Activities:

Security Lending Income.....	
Less: Security Lending Borrower Rebates.....	
Less: Security Lending Management Fees.....	
Net Income from Securities Lending Activities.....	
Total Net Investment Income.....	

Administrative Assessment.....	
Other.....	
Total Additions.....	

DEDUCTIONS:

Benefits.....	
Withdrawals and Distributions.....	
Refunds of Contributions.....	
Administrative Expense.....	
Post Retirement Medical Plan Contributions to Pension Plan on Behalf of Employers.....	
Professional Fees.....	
Other.....	
Total Deductions.....	

Net Increase.....

NET ASSETS HELD IN TRUST:

Beginning of the Year.....	
End of the Year.....	

		Totals (Memorandum Only)
Primary Government Investment Trust	Component Units Pension Trust	Reporting Entity
	\$ 55,834	\$ 55,834
	13,994	13,994
	69,828	69,828
	88,237	88,237
\$ 544,856		544,856
	8,037	8,037
544,856	166,102	710,958
26	421,609	421,635
19,052	64,374	83,426
	34,498	34,498
	(171)	(171)
	3,767	3,767
	66,030	66,030
19,078	590,107	609,185
	25,966	25,966
	38,157	38,157
	1,067	1,067
	483	483
	65,673	65,673
19,078	524,434	543,512
	30,298	30,298
	27,291	27,291
	902	902
	2,105	2,105
19,078	526,539	545,617
	5,975	5,975
	868	868
563,934	699,484	1,263,418
	185,613	185,613
478,545		478,545
	19,485	19,485
	3,353	3,353
	8,037	8,037
	872	872
	424	424
478,545	217,784	696,329
85,389	481,700	567,089
260,778	4,277,219	4,537,997
\$ 346,167	\$ 4,758,919	\$ 5,105,086

The notes to the financial statements are an integral part of this statement.

COMBINED STATEMENT OF CHANGES IN FUND BALANCES
COMPONENT UNITS - COLLEGE AND UNIVERSITY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	Current Funds		Loan Funds	Endowment And Similar Funds	Plant Funds	Total
	Unrestricted	Restricted				
REVENUES AND OTHER ADDITIONS:						
Unrestricted Current Funds Revenues.....	\$ 307,788					\$ 307,788
Federal Appropriations - Restricted.....		\$ 3,404				3,404
Government Grants and Contracts - Restricted..		58,506	\$ 314		\$ 4,510	63,330
Private Gifts and Grants - Restricted.....		17,419	68	\$ 10,865		28,352
Endowment Income - Other Than Unrestricted...		2,628	3	3,420		6,051
Investment Income - Other Than Unrestricted....		28	7	273	53	361
Unrealized Gain on Investments.....				6,120		6,120
Interest on Loans Receivable.....			462			462
Current Funds Equipment Expenditures.....					11,295	11,295
Other Additions, Net.....			27		553	580
Total Revenues and Other Additions.....	307,788	81,985	881	20,678	16,411	427,743
EXPENDITURES AND OTHER DEDUCTIONS:						
Current Funds Expenditures.....	337,590	82,628				420,218
Administrative and Collection Costs.....			(63)	2,799	193	2,929
Noncapitalized Plant Expenditures.....					3,844	3,844
Interest on Debt.....					6,409	6,409
Depreciation Expense.....					35,022	35,022
Other Deductions, Net.....			298	120		418
Total Expenditures and Other Deductions....	337,590	82,628	235	2,919	45,468	468,840
TRANSFERS AMONG FUNDS, NET:						
Mandatory Transfers.....	(9,975)	(8)	28		9,955	
Optional Transfers:						
Between Current Funds.....	(29)	29				
From Loan Funds.....	62	34	(96)			
To (From) Endowment and Similar Funds.....	(3,902)	4,121		(3,653)	3,434	
To (From) Plant Funds.....	(24,853)	221			24,632	
Total Transfers Among Funds, Net.....	(38,697)	4,397	(68)	(3,653)	38,021	0
Operating Transfers From Primary Government....	71,766				6,527	78,293
Net Increase in Fund Balances.....	3,267	3,754	578	14,106	15,491	37,196
Fund Balances - July 1.....	8,517	14,225	22,001	156,076	269,778	470,597
Fund Balances - June 30.....	\$ 11,784	\$ 17,979	\$ 22,579	\$ 170,182	\$ 285,269	\$ 507,793

The notes to the financial statements are an integral part of this statement.

**COMBINED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
COMPONENT UNITS - COLLEGE AND UNIVERSITY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)**

	Unrestricted	Restricted	Totals
REVENUES:			
Educational and General:			
Tuition and Fees.....	\$ 171,923	\$	171,923
Federal Appropriations.....		\$ 3,444	3,444
Government Grants and Contracts.....	10,753	57,270	68,023
Private Grants and Contracts.....	21	13,743	13,764
Private Gifts.....	5,110	4,101	9,211
Endowment Income.....	2,498	3,987	6,485
Investment Income.....	8,222	91	8,313
Sales and Services of Educational Activities.....	7,796		7,796
Other Sources.....	5,502		5,502
Total Educational and General.....	211,825	82,636	294,461
Auxiliary Enterprises.....	95,963		95,963
Total Revenues.....	307,788	82,636	390,424
EXPENDITURES AND MANDATORY TRANSFERS:			
Educational and General:			
Instruction.....	110,372	712	111,084
Research and Sponsored Programs.....	11,048	56,862	67,910
Public Services.....	13,265	3,895	17,160
Academic Support.....	30,766	1,542	32,308
Student Services.....	17,641	916	18,557
Institutional Support.....	30,886	144	31,030
Operation and Maintenance of Plant.....	18,242	38	18,280
Student Financial Aid.....	28,095	18,519	46,614
Educational and General Expenditures.....	260,315	82,628	342,943
Mandatory Transfers for:			
Principal and Interest.....	132		132
Loan Fund Matching Grants.....	20	8	28
Total Educational and General.....	260,467	82,636	343,103
Auxiliary Enterprises:			
Expenditures.....	77,275		77,275
Mandatory Transfers for Principal and Interest.....	9,823		9,823
Total Auxiliary Enterprises.....	87,098		87,098
Total Expenditures and Mandatory Transfers.....	347,565	82,636	430,201
OTHER CHANGES:			
Excess of Restricted Receipts Over Revenues Utilized.....		(651)	(651)
Voluntary Transfers.....	(28,722)	4,405	(24,317)
Operating Transfers from Primary Government.....	71,766		71,766
Net Increase in Fund Balances.....	\$ 3,267	\$ 3,754	\$ 7,021

The notes to the financial statements are an integral part of this statement.

Notes to the General Purpose Financial Statements

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

For the Year Ended June 30, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying general purpose financial statements of the state of New Hampshire (the state) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) is the primary standard-setting body for establishing governmental accounting and financial reporting principles.

A. FINANCIAL REPORTING ENTITY

For financial reporting purposes, the state has included all funds, organizations, account groups, agencies, boards, commissions, and authorities and has considered all potential component units for which the state is financially accountable and other organizations for which the nature and significance of their relationship with the state are such that exclusion would cause the State's financial statements to be misleading or incomplete. The criteria to be considered in determining financial accountability include whether the state, as the primary government, has appointed a voting majority of an organization's governing body and (1) has the ability to impose its will on that organization or (2) there is potential for the organization to provide specific financial benefits to or impose specific financial burdens on the state. Financial accountability also exists if an organization is determined to be fiscally dependent on the primary government, although the primary government does not appoint a voting majority of the organization's governing board.

Once financial accountability has been determined for a potential component unit, that component unit is either blended into the primary government or discretely presented from the primary government. Potential component units that do not meet the financial accountability criteria, but where a voting majority of the governing board is appointed by the state, are deemed to be related organizations. The nature and relationship of the state's component units and related organizations are disclosed in the following section.

Discrete Component Units:

Discrete component units are entities which are legally separate from the state, but for which the state is financially accountable for financial reporting purposes, or whose relationship with the state is such that exclusion would cause the state's financial statements to be misleading or incomplete. The component units columns of the general purpose financial statements include the financial data of these entities. Complete audited financial statements of the individual component units can be obtained from the respective entities.

Business Finance Authority of the state of New Hampshire (Proprietary Fund Type) - The Business Finance Authority (BFA) is a body corporate and politic with a governing board of fourteen members. The board consists of nine members appointed by the Governor with the consent of the Executive Council. The remaining members include two state Representatives, two Senators, and the Treasurer. The state currently guarantees \$77.2 million of outstanding loans and

principal on bonds of the BFA as of June 30, 2000, which creates the potential for the BFA to impose a financial burden on the state.

The Community Development Finance Authority (Proprietary Fund Type) - The Community Development Finance Authority (CDFA) is a body corporate and politic organized as a nonprofit corporation under Revised Statutes Annotated (RSA) 292. The governing board of eleven members is made up of the Commissioner of the Department of Resources and Economic Development or designee and ten public members appointed by the Governor and Executive Council as follows: four representatives of community development corporations or other nonprofit organizations engaged in community development activities, one representative of organized labor, two representatives of small business and the financial community, one representative of employment training programs, and two representatives of private financial institutions. An investment tax credit equal to 75 percent of the contribution made to the CDFA during the contributor's tax year is allowed against certain taxes imposed by the state. In accordance with RSA 162-L:10, the total credits allowed shall not exceed \$5.0 million in any state fiscal year. The CDFA has a fiscal year end of December 31.

New Hampshire Retirement System (Pension Trust Fund) - The New Hampshire Retirement System (System) is a contributory pension plan and trust qualified as a tax exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. It is a defined benefit plan providing disability, death, and retirement protection to its members, which include full-time employees of the state and substantially all school teachers, firefighters, and police officers within the state. Full-time employees of political subdivisions may participate if their governing body elects to participate.

The System is administered by a thirteen member board of Trustees on which the state does not represent a voting majority. The Board is fiduciarily responsible for the trust fund's assets and directs the investment of the pension assets, reviews actuarial assumptions and valuations from which the employer contribution rates are certified by the board, and generally supervises the operations of the System.

The System is deemed to be fiscally dependent on the state because the employee member contribution rates are set through state statute, and the state has budget approval authority over the administrative costs of the System.

Pease Development Authority (Proprietary Fund Type) - The Pease Development Authority (PDA) is a body corporate and politic with a governing body of seven members. Four members are appointed by the state and three members are appointed by the city of Portsmouth and the town of Newington. The state has made several loans to the PDA.

University System of New Hampshire (College and University Funds) - The University System of New Hampshire (University System) is a body corporate and politic with a governing board of twenty-five members. A voting majority is held by the state through the eleven members appointed by the Governor and Executive Council and three state officials serving as required by law. These state officials are the Governor, the Commissioner of the Department of Education, and the Commissioner of the Department of Agriculture. The remaining board members represent the university

and colleges of the system, the alumni, and the student body. The University System funds its operations through tuition and fees, government grants and contracts, auxiliary operations, and state appropriations. These state appropriations for operations and capital projects represented 15.5% of the total University System's revenue for fiscal year 2000.

Related Organizations:

The state is responsible for appointing voting members to the governing boards of the following legally separate organizations, but the state's financial accountability for these organizations does not extend beyond making the appointments. Therefore, the financial data of these entities are excluded from the state's financial statements. Those organizations are:

- Maine - New Hampshire Interstate Bridge Authority
- New Hampshire Health and Education Facilities Authority
- New Hampshire Housing Finance Authority
- New Hampshire Municipal Bond Bank

B. BASIS OF PRESENTATION - FUND ACCOUNTING

The accompanying financial statements of the state's primary government are presented in three fund categories and two account groups. The fund categories are governmental, proprietary, and fiduciary. Within the three categories are five fund types. Each fund type is divided into separate funds. Account groups are presented for general fixed assets and general long-term debt.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to report financial position and the results of operations, to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain government functions or activities.

Governmental Fund Types:

General Fund: The General Fund accounts for all financial transactions not accounted for in any other fund.

Special Revenue Funds: The special revenue funds (Highway Fund, Fish and Game Fund, Special Fund, and the Education Trust Fund) are used to account for specific revenue sources that are legally restricted to expenditures for specific purposes. The Education Trust Fund was created in the current fiscal year in compliance with state statutes adopted to address the states' education funding issue. The fund is nonlapsing and is used to distribute adequate education grants to school districts.

Capital Projects Fund: The Capital Fund is used to account for certain capital improvement appropriations which are or will be primarily funded by the issuance of state bonds or notes, other than bonds and notes for highway or turnpike purposes, or by the application of certain federal matching grants.

Proprietary Fund Type

Enterprise Funds: The state's enterprise funds were established to account for the self-supporting activities of state governmental units that render services on a user-charge basis to the general public. These funds account for the activities of the Turnpike System, the Liquor Commission, and the Sweepstakes Commission.

Fiduciary Fund Type:

Trust and Agency Funds: Transactions related to assets held by the state in a trustee or agency capacity are accounted for in the fiduciary fund category. The trust and agency fund type comprises expendable trust funds, nonexpendable trust funds, an investment trust fund, and agency funds. All assets of an expendable trust fund can be expended to achieve the purpose for which it was established. The principal of the nonexpendable trust funds is held in perpetuity, whereas the earnings on the principal are used to support the fund's purpose. Agency funds account for assets received by the state as an agent for other governmental units, other organizations, or individuals.

Account Groups:

General Fixed Assets: The General Fixed Asset Account Group is used to account for the fixed assets of the governmental funds. Fixed assets of the proprietary funds and the discretely presented component units are accounted for in their respective funds.

General Long-Term Debt: Activities related to governmental fund unmatured long-term general obligation bonds payable and the cumulative long-term liabilities for compensated absences and uninsured claims are reflected in the General Long-Term Debt Account Group.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using the flow of current financial resources measurement focus and reported on a modified accrual basis of accounting. With this measurement focus, unreserved fund balance generally reflects net current assets. Operating statements of these funds present increases (e.g., revenues and other financing sources) and decreases (e.g., expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues and assets are recognized when measurable and available, which means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures and liabilities are recognized as obligations when incurred as a result of a receipt of goods or services, except that interest on long-term debt is recognized as an expenditure as it becomes payable.

Agency Fund assets and liabilities are recorded on the modified accrual basis.

All proprietary funds, nonexpendable trust funds and investment trust funds are accounted for on a flow of economic resources measurement focus and reported on the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund equity (i.e., net total assets) is segregated into

contributed capital and retained earnings components. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. The presentation of the underlying fund types and basis of presentation of the individual component units reported in the discrete column is available from each respective component unit's separately issued financial statements.

In reporting the financial activity of its proprietary funds, the State applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The presentation of the component units is not meant to be a consolidation within the state reporting entity as transactions within the entity such as fixed assets and long-term debt have not been reported in the applicable state account group. However, appropriations to the component units are recorded as operating transfers out of the General and Capital Funds and as operating transfers into the component unit organization.

D. CASH EQUIVALENTS

For the purposes of the Statement of Cash Flows, cash equivalents represent short-term investments with original maturities less than three months from the date acquired by the state.

E. INVESTMENTS

Investments are reported at fair value except for investments of the investment trust fund which are reported at net amortized cost because it qualifies as a 2a-7 like pool.

F. RECEIVABLES

Receivables in the governmental fund types consist primarily of accrued taxes and federal grants receivable. Taxes receivable are primarily taxpayer-assessed revenues representing amounts owed by the taxpayers for the period ended June 30 which are received by the state shortly thereafter. These revenues are susceptible to accrual in accordance with measurable and available criteria under the modified accrual basis of accounting. Federal grant receivables are amounts due from the federal government to reimburse the state for expenditures incurred pursuant to federally funded programs.

G. INVENTORIES

Inventories for materials and supplies are determined by physical count. The Sweepstakes game tickets are stated at the lower of cost (first-in, first-out method) or market. All other inventories in the governmental and proprietary funds are stated at average cost.

Governmental fund inventories are recorded under the purchase method. Reported inventory balances in the governmental funds are offset by a fund balance reserve that indicates they do not constitute "available expendable resources" even though they are part of net current assets.

H. RESTRICTED ASSETS

Chapter 122 of the Laws of 1994 established the Health Care Fund (HCF). The restricted investments in the General Fund are the assets restricted for the HCF purpose (see Note 1-M: Fund Equity).

The proceeds of Turnpike System revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets.

I. FIXED ASSETS

Fixed Assets - Governmental Funds: General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. For financial reporting purposes, the state capitalizes equipment that costs \$10,000 or more and land, land improvements, building, building improvements, and construction in progress with costs of \$100,000 or greater. All purchased fixed assets are recorded at historical cost and in some instances at estimated historical cost. Donated fixed assets are recorded at their estimated fair value on the date received. Interest costs incurred during construction are not capitalized. Public domain ("infrastructure") general fixed assets consisting of roads, bridges, dams, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized, as these assets are immovable and of value only to the state. Assets in the General Fixed Assets Account Group are not depreciated.

Fixed Assets - Enterprise Funds: Fixed assets related to the enterprise funds are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair value on the date received. Depreciation is computed using the straight-line method over the fixed assets' estimated useful lives which are as follows: Infrastructure - 50 years; Buildings - 20 to 40 years; Land Improvements - 20 years; Building Improvements - term of lease; and Equipment - 3 to 10 years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related fixed asset, as applicable.

Fixed assets purchased or constructed by other funding sources are recorded at cost and offset by an increase to "Contributions from Other Funds" or "Contributed Capital (Net of Amortization)".

J. DEFERRED REVENUE

Deferred revenue represents monies received or revenues accrued which have not been earned or do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting. The deferred revenue in the governmental fund types has primarily resulted as an offset to long-term loans receivable and federal funds received in advance of eligible expenditures.

K. COMPENSATED ABSENCES

All full-time state employees in classified service earn annual and sick leave. At the end of each fiscal year, additional leave (bonus days) may be awarded based on the amount of sick leave taken during the year. Accrued compensatory time, earned for overtime worked, must be taken within one year.

The state's compensated absences liability represents the total liability for the cumulative balance of employees' annual, bonus, compensatory, and sick leave based on years of service rendered. The accrued liability for annual leave does not exceed the maximum cumulative balance allowed which ranges from 30 to 48 days based on years of service. The accrual for sick leave is made to the extent it's probable that the benefits will result in termination payments rather than be taken as absences due to illness.

L. ENCUMBRANCES

Contracts and purchasing commitments are recorded as encumbrances when the contract or purchase order is executed. Upon receipt of goods or services, the encumbrance is liquidated and the expenditure and liability are recorded. Unliquidated encumbrances are reported in the Reserved for Encumbrances account as a component of fund equity for the governmental fund types.

M. FUND EQUITY

Contributed capital is recorded in the proprietary funds that have received capital grants, contributions from the public or working capital transfers from other funds.

Fund balances for all governmental funds are either reserved or unreserved. Reserved fund balances reflect either 1) assets which, by their nature, are not available for appropriations (Reserve for Inventories) or 2) funds legally segregated for a specific future use (Reserve for Encumbrances). Certain reserve accounts are further described below:

Reserved for Unexpended Appropriations: This account represents amounts of unexpended appropriations legally carried forward and available for encumbrances and expenditures in the succeeding year.

Reserved for Revenue Stabilization: RSA 9:13-e established the Revenue Stabilization account for the purpose of deficit reduction. At the close of each fiscal biennium, any General Fund undesignated fund balance is distributed 50:50 to the Revenue Stabilization account and the Health Care Fund. The maximum balance that may accumulate in the account is limited to 10% of the General Fund unrestricted revenue. The account may not be used for any other purpose without specific approval by two-thirds of each house of the Legislature and the Governor.

In the event of a General Fund undesignated fund balance deficit at the close of a fiscal biennium, a transfer from the Reserved for Revenue Stabilization account may be made only if the General Fund's unrestricted revenues are less than budgeted. The amount of the transfer is limited to the smaller of the General Fund undesignated fund balance deficit or the unrestricted revenue shortfall.

Reserved for Health Care Fund: RSA 167:70 established the Health Care Fund for the purpose of providing financial resources for future changes in the state's health care system in order to increase access to quality health care for the citizens of New Hampshire. In 1994, a portion of net Medicaid enhancement revenues, received as a result of an amendment to the state's Medicaid plan relative to the New Hampshire Hospital disproportionate share revenues, was set aside to establish the initial fund balance. The maximum balance that may accumulate in the Health Care Fund is \$100 million. At the end of any fiscal biennium, all principal assets in the fund in excess of \$100 million will be transferred to the Reserved for Revenue Stabilization account.

Further legislation provided for the transfers from the Health Care Fund that resulted from shortfalls in specific Health and Human Services revenue enhancements. The transfers were limited to the smaller of the General Fund undesignated fund balance deficit or the calculated revenue shortfall. In the event that net Medicaid enhancement revenues exceed amounts budgeted, the excess shall be transferred back to the Health Care Fund. The amount transferred to the Health Care Fund shall not exceed the cumulative amount transferred from the Fund. All transfers from the Health Care Fund require the prior approval of the Legislative Fiscal Committee.

N. CAPITAL OUTLAYS

Capital Outlays represent equipment purchases for all funds. In addition to equipment purchases, the Highway Fund's capital outlays represent expenditures for the 10-year state highway construction program.

O. BOND DISCOUNTS, PREMIUMS, AND ISSUANCE COSTS

In governmental fund types, bond discounts, premiums, and issuance costs are recognized in the period the bond proceeds are received. Bond discounts and issuance costs for the proprietary fund type are deferred and amortized over the term of the bonds.

P. INTRAENTITY TRANSACTIONS

The state accounts for intraentity transactions as described below:

Operating Transfers - Legally required transfers are reported when incurred as "Operating Transfers In" by the receiving fund and as "Operating Transfers Out" by the disbursing fund. Legally required transfers between the primary government and its component units are reported as "Operating Transfers from (to) Primary Government" and "Operating Transfers (to) from Component Units."

Reimbursements - Various departments charge fees on a user basis for such services as centralized data processing, accounting and auditing, purchasing, personnel, and maintenance. These fees are not considered material and are recorded as revenue by the servicing department and as expenditures by the user department.

Q. CAPITAL PROJECTS

The state records the resources obtained and used for the acquisition, construction, or improvement of certain capital facilities in the Highway Fund and the Capital Projects Fund. Encumbrances are recorded when contracts are executed. Expenditures are recorded when incurred and encumbrances are liquidated at that time.

Resources obtained to finance capital projects include federal grants and general obligation bonds. General obligation bonds are recorded as liabilities in the General Long-Term Debt Account Group and as other financing sources in the funds that receive the proceeds.

Unexpended balances of appropriations at year end will lapse to undesignated fund balance and be available for future appropriations unless they have been encumbered or legally defined as nonlapsing, which means the balances are reported as reservation of fund balance. Capital Projects Fund unencumbered appropriations lapse in two years unless extended or designated as non-lapsing by law.

R. MEANING OF "TOTALS (MEMORANDUM ONLY)" COLUMNS

The "totals - memorandum only" columns represent an aggregation of individual account balances. The column is presented for overview informational purposes and does not present consolidated financial information, since interfund balances and transactions have not been eliminated.

S. BUDGET CONTROL AND REPORTING

The statutes of the state of New Hampshire require the Governor to submit a biennial budget to the Legislature for adoption. This budget, which includes a separate budget for each year of the biennium, consists of three parts: Part I is the Governor's program for meeting all expenditure needs and estimating revenues. There is no constitutional or statutory requirement that the Governor propose or the Legislature adopt a budget that does not resort to borrowing. Part II is a detailed breakdown of the budget at the department level for appropriations to meet the expenditure needs of the government. Part III consists of draft appropriation bills for the appropriations made in the proposed budget.

The operating budget is prepared principally on a modified cash basis and adopted for the governmental and proprietary funds, with the exception of the Capital Projects Fund. The Capital Projects Fund budget represents individual projects that extend over several fiscal years. Since the Capital Projects Fund comprises appropriations for multi-year projects, it is not included in the budget and actual comparison statement. Fiduciary funds are not budgeted.

In addition to the enacted biennial operating budget, the Governor may submit to the Legislature supplemental budget requests necessary to meet expenditures during the current biennium. During the 2000 Legislative session, no significant supplemental budget requests were approved. Appropriation transfers can be made within a department without the approval of the Legislature; therefore, the legal level of budgetary control is at the departmental level.

Additional fiscal control procedures are maintained by both the Executive and Legislative Branches of government. The Executive Branch, represented by the Commissioner of the Department of Administrative Services, is directed to continually monitor the State's financial operations, needs, and resources, and to maintain an integrated financial accounting system. The Legislative Branch, represented by the Fiscal Committee, the Joint Legislative Capital Budget Overview Committee, and the Office of the Legislative Budget Assistant, monitors compliance with the budget and the effectiveness of budgeted programs.

2. RECONCILIATION OF BUDGETARY TO GAAP

The State's biennial budget is prepared on a basis other than GAAP. The "actual" results columns of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual - Budgetary Basis are presented on a "budgetary basis" to provide a meaningful comparison to the budget.

The major differences between the budgetary basis and the GAAP basis are:

1. Expenditures are recorded when cash is paid or committed (budgetary), rather than when the obligation is incurred (GAAP). In addition, revenue based on these accruals is adjusted on a GAAP basis only.
2. On a GAAP basis, major inter-agency and intra-agency transactions are eliminated in order to not double count revenues and expenditures.

The following schedule reconciles the General and Special Revenue Funds of the primary government for differences between budgetary accounting methods and GAAP basis accounting principles for the year ended June 30, 2000 (expressed in thousands):

	General Fund	Special Revenue Funds
Excess (Deficiency) of revenues and other financing sources over (under) expenditures and other financing uses (Budgetary Basis)	\$ (120,637)	\$ 16,597
Adjustments and Reclassifications:		
To record Accounts Payable and Accrued Payroll	15,276	(40,870)
To record Accounts Receivable and Deferred Revenue	(3,907)	81,173
To adjust for encumbrances and the net change in appropriation related balances	11,514	(34,974)
To record Other Financing Sources (Uses)	(799)	43,919
Excess (Deficiency) of revenues and other financing sources over (under) expenditures and other financing uses (GAAP Basis)	\$ (98,553)	\$ 65,845

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

PRIMARY GOVERNMENT

The state pools cash and investments except for separate cash and investment accounts maintained in accordance with legal restrictions. Each fund's equity share of the total pooled cash and investments and restricted assets is included on the accompanying balance sheet under the captions "Cash and Cash Equivalents" and "Investments".

Deposits: The following statutory requirements and Treasury Department policies have been adopted to minimize risk associated with deposits.

RSA 6:7 establishes the policy the state Treasurer must adhere to when depositing public monies. The statute restricts deposits to national banks, trust companies, and savings banks within the United States that have a branch in the state of New Hampshire. In addition, all depositories used by the state must be approved at least annually by the Governor and Executive Council.

RSA Chapter 6-B:2 requires the state Treasurer to submit quarterly financial reports to the Governor and Executive Council, the Commissioner of Administrative Services, and the Legislative Fiscal Committee.

The Treasury Department examines the financial condition of its depositories quarterly. The state Treasurer is not required to collateralize bank deposits. Nevertheless, during fiscal year 2000, the Treasury Department collateralized deposits at two of its major depositories.

Investments: The following statutory requirements and Treasury Department policies have been adopted to ensure reasonable rates of return on investments while minimizing risk factors.

RSA Chapter 6:8 sets the policies the state Treasurer must adhere to when investing state funds. Subject to Governor and Council approval, the Treasurer must invest in certain types of investments. Those investments include obligations of the United States government or municipal governments within New Hampshire, savings accounts and legal investments for savings banks and trust companies, participation units in the public deposit investment pool, and certificates of deposit of state or federally chartered banks within New Hampshire or national banks in Massachusetts.

The financial condition of each bank in which or through which investments are made is evaluated by the Treasury Department on a quarterly basis. Banks through which repurchase agreements are written maintain their collateral in an investment book entry account with the Federal Reserve. That collateral is not separate from the banks' assets. However, securities used for collateral are segregated from the banks' investment accounts and are kept free of liens, charges, or claims of third parties. Repurchase agreements represent 12.1% of the State's investment portfolio at June 30, 2000. The state Treasurer is prohibited by statute from entering into reverse repurchase agreements.

Some United States Government Obligations are classified as cash and cash equivalents on the balance sheet because their original maturities are less than three months. For purposes of the notes to the financial statements, United States Government Obligations are categorized as investments in accordance with GAAP.

The balances of the State's deposit accounts at June 30, 2000, listed by custody risk category, are shown in the following schedule. The total bank balance represents the total amounts on deposit as reported by the banks. The carrying amount represents the balances on the State's records. The principal difference in demand deposits is outstanding checks which have not cleared the bank as of June 30, 2000 (expressed in thousands):

	Categories			Total Bank Balance	Carrying Amount
	1	2	3		
Pooled Deposits:					
Demand Deposits (Interest Bearing)	\$ 426	\$ 4,589	\$ 74,759	\$ 79,774	\$ 19,269
Money Market Accounts			872	872	872
Savings Accounts	66		2,325	2,391	2,391
Certificates of Deposit			153	153	153
Subtotal	492	4,589	78,109	83,190	22,685
Restricted Deposits:					
Demand Deposits			12,573	12,573	12,686
Certificates of Deposit			5,000	5,000	5,000
Subtotal			17,573	17,573	17,686
Total Deposits	\$ 492	\$ 4,589	\$ 95,682	\$ 100,763	\$ 40,371

Category 1 Fully insured or collateralized with securities held by the state or its agent in the State's name.
Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the State's name.
Category 3 Uncollateralized.

In accordance with GAAP, investments are classified as to custody risk by the three categories described below (expressed in thousands):

	Categories			Fair Value
	1	2	3	
Pooled Investments:				
NH Public Deposit Investment Pool			\$ 353,192	\$ 353,192
Stocks and Bonds			9,773	9,773
Repurchase Agreements			101,481	101,481
United States Government Obligations	\$ 11,851		9,451	21,302
Subtotal	11,851	\$ -0-	473,897	485,748
Restricted Investments:				
NH Public Deposit Investment Pool			41,240	41,240
Repurchase Agreements			48,562	48,562
United States Government Obligations	61,852			61,852
Subtotal	\$ 61,852	\$ -0-	\$ 89,802	151,654
Uncategorized:				
United States Government Obligations (funds on deposit in the Federal Unemployment Trust Fund)				319,271
Open-ended Mutual Funds				279,151
Subtotal				598,422
Total Investments				\$ 1,235,824

Category 1 Insured or registered in the State's name, or securities held by the state or its agent in the State's name.
Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the State's name.
Category 3 Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the State's name.

The following is a reconciliation of cash and investments to the balance sheet (expressed in thousands):

Per the Combined Balance Sheet:

Per Note 3 Classifications:

Unrestricted:			
Cash and Cash Equivalents	\$ 319,189	Cash on Hand	\$ 8,370
Investments	834,424	Carrying Amount of Deposits	40,371
Restricted:		Investments at Fair Value	882,632
Cash and Cash Equivalents	3,533	Investments at Amortized Cost	353,192
Investments	127,419		
Total	\$ 1,284,565	Total	\$ 1,284,565

COMPONENT UNITS**Levels of Risk of Cash and Cash Equivalents (expressed in thousands):**

	Categories			Total Bank Balance	Carrying Amount
	1	2	3		
Deposits:					
Demand Deposits (Interest Bearing)	\$ 399		\$ 17,725	\$ 18,124	\$ 8,549
Money Market Fund			19,706	19,706	19,706
Subtotal	399	\$ -0-	37,431	37,830	28,255
Restricted Deposits:					
Demand Deposits (Interest Bearing)	4,738		4,669	9,407	8,882
Total Deposits	\$ 5,137	\$ -0-	\$ 42,100	\$ 47,237	\$ 37,137

Category 1 Fully insured or collateralized with securities held by the state or its agent in the State's name.
Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the State's name.
Category 3 Uncollateralized.

Levels of Risk of Investments (expressed in thousands):

	Categories			Fair Value
	1	2	3	
Investments:				
Repurchase Agreements			\$ 12,918	\$ 12,918
Stocks and Bonds	\$ 3,213,689		192,477	3,406,166
United States Government Obligations	575,396			575,396
Subtotal	3,789,085	\$ -0-	205,395	3,994,480
Restricted Investments:				
United States Government Obligations	4,423			4,423
Uncategorized:				
New Hampshire Retirement System				1,505,397
Business Finance Authority				6,384
University System of New Hampshire				62,900
Pease Development Authority				692
Subtotal				1,575,373
Total Investments	\$ 3,793,508	\$ -0-	\$ 205,395	\$ 5,574,276

Category 1 Insured or registered in the State's name, or securities held by the state or its agent in the State's name.
Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the State's name.
Category 3 Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the State's name.

The following is a reconciliation of cash and investments to the balance sheet (expressed in thousands):

Per the Combined Balance Sheet:		Per Note 3 Classifications:	
Unrestricted:			
Cash and Cash Equivalents	\$ 534,301	Carrying Amount of Deposits	\$ 37,137
Investments	5,057,249	Investments	5,574,276
Restricted:			
Cash and Cash Equivalents	9,186		
Investments	10,677		
Total	\$ 5,611,413	Total	\$ 5,611,413

4. RECEIVABLES

Accounts Receivable:

The following is a breakdown of receivables at June 30, 2000 (expressed in thousands):

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	COMPONENT UNITS
	General Fund	Special Revenue Funds	Capital Projects Fund	Enterprise Funds	Trust and Agency	
Taxes:						
Meals and Rooms	\$ 15,024	\$ 666				
Business Profits	4,566					
Tobacco	4,911	2,435				
Estate and Legacy	16,995					
Real Estate Transfer	6,338	3,169				
Communications	5,234					
Business Enterprise Tax	5,746					
Gasoline Road Toll		10,327				
Beer				\$ 1,384		
Sub Total	58,814	16,597		1,384		
Other Receivables:						
Enterprise Funds				10,079		
Unemployment Trust Fund					\$ 6,998	
Investment Trust Fund					2,069	
Board and Care	704					
Federal Grants	7,547	118,057	\$ 392			\$ 11,908
Local Grants	492	5,347				
Intergovernmental Receivables						3,418
Interest and Dividends						16,818
Contributions						20,920
Tuition						6,776
Miscellaneous	16,150	24,395	2,356		67	141,767
Total	\$ 83,707	\$ 164,396	\$ 2,748	\$ 11,463	\$ 9,134	\$ 201,607

Loans and Notes Receivable:

Primary Government: As of June 30, 2000, total water pollution control loans outstanding in the Special Fund amounted to \$129.0 million and were offset by a corresponding amount of deferred revenue. The state Water Pollution Control Revolving Loan Fund ("State Revolving Fund"), established by RSA 486:14, provides loans and other assistance to local communities for financing waste water treatment facilities. The State Revolving Fund was authorized through the Federal Clean Water Act of 1988 and was initially funded through a federal capitalization grant program to states which requires state matching funds equal to 20% of the capitalization grant funding. All loan agreements executed under the State Revolving Fund follow federal requirements and require approval from the Governor and Executive Council. Principal and interest payments on the loans will occur over a period not to exceed 20 years and will be credited directly to the State Revolving Fund, enabling the fund balance to be available in perpetuity.

Component Units: The component units balance of \$23.6 million is University System of New Hampshire Perkins Loans and other college and university loans of \$20.9 million, Business Finance Authority loan repurchase agreements of \$2.0 million and Community Development Finance Authority loans to regional non profit economic development organizations of \$0.7 million.

Restricted Receivables:

Component Units: The \$14.0 million balance is made up of \$9.3 million of Pease Development Authority leases receivable, and \$4.7 million of Community Development Finance Authority pledges receivable.

5. FIXED ASSETS

The following is a summary of fixed assets at June 30, 2000 (expressed in thousands):

	<i>PRIMARY GOVERNMENT</i>		<i>COMPONENT UNITS</i>
	Enterprise Funds	General Fixed Assets Account Group	
Land and Land Improvements	\$ 91,883	\$ 181,807	\$ 8,755
Buildings and Building Improvements	18,178	423,689	617,883
Equipment	22,850	109,506	95,938
Construction in Progress	75,751	38,282	30,528
Infrastructure	452,726		
Subtotal	661,388	753,284	753,104
Less: Accumulated Depreciation	(142,154)		(323,640)
Total	\$ 519,234	\$ 753,284	\$ 429,464

General Fixed Assets Account Group:

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year (expressed in thousands):

	Balance July 1, 1999	Additions	Deletions	Balance June 30, 2000
Land and Land Improvements	\$ 122,067	\$ 60,248	\$ (508)	\$ 181,807
Buildings and Building Improvements	358,735	66,078	(1,124)	423,689
Construction in Progress	31,130	18,109	(10,957)	38,282
Equipment	92,061	26,195	(8,750)	109,506
Total	\$ 603,993	\$ 170,630	\$ (21,339)	\$ 753,284

In accordance with GAAP, interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. In fiscal year 2000, net interest cost capitalized in the Turnpike System Enterprise Fund amounted to \$1.2 million.

6. LONG-TERM DEBT**PRIMARY GOVERNMENT**

Bonds Authorized and Unissued: Bonds authorized and unissued amounted to \$327.7 million at June 30, 2000. The proceeds of the bonds will be applied to the following funds when issued (expressed in thousands):

Capital Projects Fund	\$ 192,047
Turnpike System	135,650
Total	<u>\$ 327,697</u>

Turnpike System: The Legislature has established a 10-year highway construction and reconstruction plan for the Turnpike System to be funded from Turnpike revenues. This legislation also authorized the Governor and Executive Council to issue up to \$586 million of revenue bonds to support this project. The state has issued \$395 million of revenue bonds for this project.

Advance Refunding: The following is a summary of general obligation bonds and revenue bonds defeased by the primary government. The proceeds from each advance refunding issue were placed in an irrevocable trust to provide for all future debt service payments on the old bonds.

Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements (expressed in thousands):

Date of Advance Refunding	Amount Outstanding at June 30, 2000
Governmental Fund Types (General Obligation Bonds):	
December 1, 1998	\$ 64,955
December 19, 1996	29,175
April 15, 1993	24,250
Subtotal	<u>118,380</u>
Turnpike System (Revenue Bonds):	
January 20, 1994	<u>27,000</u>
Total	<u>\$ 145,380</u>

Changes in Long-Term Liabilities: The following is a summary of the changes in the long-term liabilities for bonds, compensated absences, and uninsured claims as reported by the primary government during the fiscal year (expressed in thousands):

	Balance July 1, 1999	Accretion	Increases	Decreases	Balance June 30, 2000
General Long-Term Debt Account Group					
General Obligation Bonds	\$ 611,321	\$ 10,804		\$ 60,429	\$ 561,696
Compensated Absences	51,912		\$ 2,217		54,129
Uninsured Claims	9,045		1,241		10,286
Capital Leases	-0-		11,669		11,669
Legal Contingency	-0-		3,000		3,000
Total	\$ 672,278	\$ 10,804	\$ 18,127	\$ 60,429	\$ 640,780
Enterprise Funds					
General Obligation Bonds	\$ 34,586			\$ 4,172	\$ 30,414
Revenue Bonds	344,576			6,484	338,092
Compensated Absences	4,294			561	3,733
Total	\$ 383,456	\$ -0-	\$ -0-	\$ 11,217	\$ 372,239

Capital Appreciation Bonds: Six of the state's general obligation capital improvement bonds issued since November 1990 represent capital appreciation bonds (College Savings Bond Program) with interest being accrued and compounded semiannually in the General Long-Term Debt Account Group. At June 30, 2000, the cumulative interest accretion since issuance for all six capital appreciation bonds is approximately \$85.0 million. The interest is not paid until the bonds mature, at which time the expenditure will be recorded.

Debt Maturity: All bonds issued by the state, except for the \$395 million in Turnpike revenue bonds discussed earlier in this note, are general obligation bonds, which are backed by the full faith and credit of the state. Interest rates on these issues range from 2.7% to 8.5%. Debt service payments on "self-liquidating" debt are funded by reimbursements from component units for debt issued by the state on their behalf and through user fees and other revenues statutorily earmarked to fund debt service payments on specific projects. The anticipated source of repayment and annual maturities are as follows (expressed in thousands):

Payable June 30,	SOURCE OF PRINCIPAL PAYMENTS					DEBT SERVICE			
	GOVERNMENTAL FUNDS				ENTERPRISE FUND		TOTAL ALL FUNDS		
	General Fund	Highway Fund	Self Liquidating	Total	Turnpike System		Principal	Interest	Total
					General Obligation	Revenue			
2001	\$ 49,520	\$ 3,082	\$ 7,093	\$ 59,695	\$ 4,192	\$ 6,785	\$ 70,672	\$ 38,017	\$ 108,689
2002	45,061	2,970	6,547	54,578	4,036	9,335	67,949	35,721	103,670
2003	46,291	3,179	6,405	55,875	4,016	7,765	67,656	33,202	100,858
2004	46,260	2,963	5,880	55,103	3,974	9,675	68,752	30,980	99,732
2005	43,025	2,905	5,794	51,724	3,709	10,295	65,728	29,007	94,735
Thereafter	289,695	21,178	46,907	357,780	10,487	298,950	667,217	222,415	889,632
Subtotal	519,852	36,277	78,626	634,755	30,414	342,805	1,007,974	389,342	1,397,316
Unamortized Discount	(62,595)	(6,672)	(3,792)	(73,059)		(4,713)	(77,772)		(77,772)
Total	\$ 457,257	\$ 29,605	\$ 74,834	\$ 561,696	\$ 30,414	\$ 338,092	\$ 930,202	\$ 389,342	\$ 1,319,544

Turnpike System principal debt service includes general obligation principal debt service of \$30.4 million, serial revenue bond principal debt service of \$102.9 million, and term revenue bond principal debt service of \$239.9 million. Actual principal paid to bond holders by the bond registrar is different from the above debt service schedule the state Treasurer is required to pay to the bond registrar because a portion of the Turnpike System revenue bonds is composed of term bonds versus serial bonds. For term bonds, the state Treasurer is required to pay the bond registrar the annual principal debt service, but the bond registrar is not required to pay principal to the bond holders until the single date of maturity.

Bond Anticipation Notes: The state had \$50 million of bond anticipation notes outstanding at June 30, 2000. Of this amount \$34.9 million (4.3%) mature on December 6, 2000 and \$15.1 million (4.4%) mature on February 14, 2001.

COMPONENT UNITS

Changes in Long-Term Liabilities: The following is a summary of the changes in the long-term liabilities as reported by the component units during the fiscal year (expressed in thousands):

	Balance July 1, 1999	Increases	Decreases	Balance June 30, 2000
Business Finance Authority	\$ 21,551		\$ 888	\$ 20,663
University System of NH	153,229	\$ 1,374	1,098	153,505
Total	\$ 174,780	\$ 1,374	\$ 1,986	\$ 174,168

The University System of New Hampshire's long-term liabilities include accrued employee benefits and compensated absences of \$58.0 million.

Debt Maturity: The following is a summary of the annual principal payments and total debt service relating to the long-term debt of the component units (expressed in thousands):

Payable June 30,	PRINCIPAL PAYMENTS		TOTAL DEBT SERVICE		
	Business Finance Authority	University System of N.H.	Principal	Interest	Total
2001	\$ 1,000	\$ 2,489	\$ 3,489	\$ 7,278	\$ 10,767
2002	1,100	2,641	3,741	7,075	10,816
2003	1,300	2,787	4,087	6,843	10,930
2004	1,300	2,642	3,942	6,593	10,535
2005	1,300	2,800	4,100	6,324	10,424
Thereafter	14,800	84,970	99,770	66,406	166,176
Subtotal	20,800	98,329	119,129	100,519	219,648
Unamortized Discount	(137)	(2,797)	(2,934)		(2,934)
Total	\$ 20,663	\$ 95,532	\$ 116,195	\$ 100,519	\$ 216,714

7. RISK MANAGEMENT AND INSURANCE

The state is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The state primarily retains the risk of loss except where the provisions of law allow for the purchase of commercial insurance or where commercial insurance has been proven beneficial for the general public. There are approximately 30 such commercial insurance programs in effect, which include fleet automobile liability, ski area liability for Cannon Mountain, and a faithful performance position schedule bond. Settled claims under these insurance programs have not exceeded commercial insurance coverage in any of the last three years. Claim liabilities not covered by

commercial insurance are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At June 30, 2000, the amount of liabilities not covered by commercial insurance was approximately \$12.1 million related to worker's compensation claims. This liability is the State's best estimate based on available information. In the governmental funds, the total liability is approximately \$11.3 million. Of this liability, \$1.0 million has been determined to be payable with expendable available financial resources and recorded as a current liability in the governmental funds. The remaining \$10.3 million long-term liability has been recorded in the General Long-Term Debt Account Group. The total liability recorded in the enterprise funds amounted to \$.8 million at June 30, 2000.

The following table presents the changes in worker's compensation claim liabilities (short- and long-term combined) during the fiscal years ending June 30, 1999, and June 30, 2000:

Changes in Claim Liabilities (expressed in thousands)				
Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Paid	Ending Balance
1999	\$ 11,988	\$ 4,532	\$ 5,285	\$ 11,235
2000	11,235	6,042	5,144	12,133

8. INTERFUND RECEIVABLES AND PAYABLES

Due From or To Other Funds in the primary government consist of the following as of June 30, 2000 (expressed in thousands):

RECEIVABLE FUND	AMOUNT	PAYABLE FUND	AMOUNT
General Fund.....	\$ 12,953	Capital.....	\$ 12,953
Education Fund.....	1,242	Sweepstakes Commission.....	1,242
Special Fund.....	9,889	General.....	13,552
Liquor Commission.....	3,663		
Total.....	\$ 27,747	Total.....	\$ 27,747

Due from Component Units: As of June 30, 2000, the cumulative balance of outstanding loans plus accrued interest to the Pease Development Authority (PDA) amounted to \$53.6 million. The balance has been offset by a corresponding amount of deferred revenue in the General Fund and Special Fund.

The state has issued general obligation bonds to finance certain capital projects for the University System of New Hampshire (University System). As of June 30, 2000, the outstanding balance of these bonds was \$8.8 million. The state is reimbursed for the debt service payments from the University System as the payments are due. This receivable is classified as "Due from Component Units" and "Deferred Revenue" in the State's General Fund for financial reporting purposes.

9. UNDESIGNATED FUND BALANCE (DEFICIT) and CONTRACTUAL COMMITMENTS

Highway Fund: The Highway Fund unreserved, undesignated deficit was \$15.7 million as of June 30, 2000. The deficit exists primarily because certain multi-year Highway infrastructure construction projects are appropriated from current year fund balance.

Capital Projects Fund: The June 30, 2000, unreserved, undesignated deficit of the Capital Projects Fund was \$192.3 million. The Capital Projects Fund accounts for multi-year capital projects which will be primarily financed by bond proceeds. The project costs are appropriated when the project is approved. Bonds are issued as the expenditures are expected to be incurred. As of June 30, 2000, bonds authorized and unissued for the Capital Projects Fund amounted to \$192.0 million.

Contractual Commitments: The State of New Hampshire has estimated the state's share of contractual obligations for construction contracts to be \$66.6 million at June 30, 2000. This represents total obligations of \$207.2 million less \$140.6 million in estimated federal aid.

10. CONTRIBUTED CAPITAL and CONTRIBUTIONS FROM OTHER FUNDS

The state records the costs associated with projects of the Turnpike System, where the federal government or other non-Turnpike System sources have provided funding, as increases in fixed assets (e.g., land, construction in progress, and infrastructure) and as contributed capital under fund equity on the Turnpike System balance sheet. In accordance with GAAP, the depreciation of the costs of such projects is charged to contributed capital.

The following schedule shows the change in contributed capital during fiscal year 2000 (expressed in thousands):

Net Contributed Capital at July 1, 1999	\$ 36,111
Activity during Fiscal Year 2000:	
Federal Government.....	115
Highway Fund	6
Less: Depreciation	(807)
Net Contributed Capital at June 30, 2000	<u>\$ 35,425</u>

The change in contributions from other funds represents an increase in net fixed assets from the Liquor Commission in the amount shown below (expressed in thousands):

Contributions from Other Funds at July 1, 1999	\$ 13,584
Net Increase in Fixed Assets	826
Contributions from Other Funds at June 30, 2000...	<u>\$ 14,410</u>

11. EMPLOYEE BENEFIT PLANS

NEW HAMPSHIRE RETIREMENT SYSTEM

Plan Description: The New Hampshire Retirement System is the administrator of a cost-sharing multiple-employer Public Employee Retirement System (The Plan) established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401 (a) and 501 (a) of the Internal Revenue Code. The Plan is a contributory defined-benefit plan providing service, disability, death, and vested retirement benefits to members and beneficiaries. The Plan covers substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and police officers within the state of New Hampshire. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation. The Plan is divided into two membership groups. Group I consists of state and local employees and teachers. Group II consists of firefighters and police officers. All assets are in a single trust and are available to pay retirement benefits to all members.

Group I members at age 60 qualify for a normal service retirement allowance based on years of creditable service and average final compensation (AFC). The yearly pension amount is $1/60$ (1.67%) of average final compensation multiplied by years of creditable service. AFC is defined as the average of the three highest salary years. At age 65, the yearly pension amount is recalculated at $1/66$ (1.5%) of AFC multiplied by years of creditable service. Members in service with 10 or more years creditable service who are between age 50 and 60 or members in service with at least 20 or more years of service, whose combination of age and service is 70 or more, are entitled to a retirement allowance with appropriate graduated reduction based on years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years.

Members of both groups may qualify for vested deferred allowances, disability allowances, and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation, service, or both.

Pursuant to RSA 100-A:50, the New Hampshire Retirement System also provides a postretirement medical premium subsidy for Group I teachers and Group II police officers and firefighters.

A special account has been established by RSA 100-A:16, II(h) for additional benefits. The account is credited with all of the earnings of the account assets in the account plus the earnings of the remaining assets of the plan in excess of the assumed rate of return plus $1/2$ of 1 percent.

The New Hampshire Retirement System issues a publicly available financial report that may be obtained by writing to them at 4 Chenell Drive, Concord, NH 03301-8509 or from their web site at <http://webster.state.nh.us/retirement>.

Funding Policy: The Plan is financed by contributions from the members, the state and local employers, and investment earnings. In fiscal year 2000, by statute, Group I members contributed 5.0% of

gross earnings. Group II members contributed 9.3% of gross earnings. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the system's actuary using the open group aggregate funding method and are expressed as a percentage of gross payroll. The State's share represents 100% of the employer cost for all state employees, and 35% of the employer cost for teachers, firefighters, and police officers employed by political subdivisions. The state does not participate in funding the employer cost of other political subdivision employees.

The State's contributions to the plan for the years ending June 30, 2000, 1999, and 1998 were \$31.7 million, \$27.6 million, and \$26.9 million, respectively, which equals the required contributions for each year.

HEALTH CARE INSURANCE FOR RETIRED EMPLOYEES

In addition to providing pension benefits, RSA 21-I:30 specifies that the state provide certain health care insurance benefits for retired employees. These benefits include group hospitalization, hospital medical care, and surgical care. Substantially all of the State's employees may become eligible for these benefits if they reach normal retirement age while working for the state and receive their pensions on a periodic basis rather than a lump sum. These and similar benefits for active employees are authorized by RSA 21-I:30 and provided through an insurance company whose premiums are based on the benefits paid during the year. The state recognizes the cost of providing these benefits by paying the entire annual insurance premiums, with minor contributions offset by members and a portion paid by the New Hampshire Retirement System's Group II medical premium subsidy. The state paid approximately \$26 million of annual insurance premiums for approximately 7,350 state retirees and covered dependents receiving a periodic pension benefit for the fiscal year ended June 30, 2000.

COMPONENT UNITS

Eligible employees of the New Hampshire Retirement System and the Pease Development Authority participate in the PERS and additional disclosure about their participation is available in the NHRS audited financial statements. Employees of the New Hampshire Community Development Finance Authority, the Business Finance Authority, and the University System of New Hampshire are not members of the New Hampshire Retirement System, but participate in their own defined contribution plans.

12. SELECTED FINANCIAL INFORMATION

PRIMARY GOVERNMENT - SEGMENT INFORMATION

Enterprise Fund segment information for the year ended June 30, 2000, is presented below (expressed in thousands):

	Turnpike System	Liquor Commission	Sweepstakes Commission	Totals
Balance Sheet:				
Net Fixed Asset Additions	\$ 11,392	\$ 827	\$ 30	\$ 12,249
Net Working Capital	11,390	1,782	(70)	13,102
Total Assets	613,264	44,261	7,509	665,034
Long-Term Liabilities	359,177	1,782	303	361,262
Total Fund Equity	234,615	14,410	-0-	249,025
Statement of Revenues, Expenses and Changes in Retained Earnings:				
Operating Revenues	\$ 60,657	\$ 289,157	\$ 193,013	\$ 542,827
Cost of Sales and Services		207,775	126,148	333,923
Depreciation	10,182	1,361	113	11,656
Operating Income	26,021	59,431	60,304	145,756
Net Operating Transfers Out		76,178	61,517	137,695
Beer Tax Revenue		11,878		11,878
Net Income	12,175			12,175

COMPONENT UNITS - CONDENSED FINANCIAL INFORMATION

Component Unit condensed financial information for the year ended June 30, 2000, is presented below (expressed in thousands):

	Business Finance Authority	Community Development Finance Authority	Pease Development Authority	New Hampshire Retirement System	University System of New Hampshire	Totals
Condensed Balance Sheet:						
Current Assets	\$ 5,162	\$ 2,963	\$ 6,379	\$ 668,288	\$ 75,973	\$ 758,765
Amount Due from Primary Government ..						
Property, Plant, and Equipment, Net	2,333	45	57,851		369,235	429,464
Total Assets	31,162	13,869	74,256	5,453,324	724,442	6,297,053
Current Liabilities	3,452	9,501	1,482	694,405	54,394	763,234
Amount Due to Primary Government			53,620		8,750	62,370
Long-Term Liabilities	22,364	2,288	1,632		153,505	179,789
Total Liabilities	25,816	11,789	56,734	694,405	216,649	1,005,393
Total Fund Equity ⁽¹⁾	5,346	2,080	17,522	4,758,919	507,793	5,291,660
Condensed Statement of Revenues, Expenses, and Changes in Retained Earnings or Fund Balance:⁽²⁾						
Operating Revenues	\$ 1,375	\$ 901	\$ 8,382			\$ 10,658
Operating Expenses	625	1,242	10,685			12,552
Depreciation	127	9	3,442			3,578
Operating Income (Loss)	750	(341)	(2,303)			(1,894)
Net Income (Loss)	81	(341)	(2,303)			(2,563)
Current Contributed Capital			411			411

⁽¹⁾ Total fund equity of the New Hampshire Retirement System comprises the following reserved account balances: Reserved for Pension Benefits of \$4,447,381 and Reserved for Post Retirement Medicaid Benefits of \$311,538.

⁽²⁾ The general purpose financial statements include a separate Combined Statement of Changes in Fund Balances and Combined Statement of Current Funds Revenues, Expenditures, and Other Changes for the University System of New Hampshire and a separate Combined Statement of Changes in Net Assets for the New Hampshire Retirement System.

13. CONTINGENT AND LIMITED LIABILITIES

PRIMARY GOVERNMENT

Bonds and First Mortgages: The state of New Hampshire is contingently liable, within statutory legal limits, for bonds sold by municipalities, school districts, and for first mortgages on industrial and recreational property that contain the guarantee of the state of New Hampshire. The following table shows the composition of the State's \$271 million of contingent liabilities and the statutory limits as of June 30, 2000 (expressed in thousands):

	Principal	Interest	Total
Water Pollution and Waste Disposal, RSA 485-A:7 (Legal Limit \$175.0 million - principal and interest)	\$ 76,807	\$ 25,366	\$ 102,173
Business Finance Authority, RSA 162-A:22 - Economic Development (Legal Limit \$95.0 million - principal only)	38,600	11,379	49,979
N.H. School Building Authority, RSA 195-C:2 (Legal Limit \$75.0 million - principal and interest)	43,008	16,386	59,394
Business Finance Authority, Ch 265, Laws of 1989, Ch 8, Laws of 1992, and Ch 257, Laws of 1996 - Manchester Airport (Legal Limit \$42.7 million - principal only)	38,600	34,678	73,278
Solid Waste Management, RSA 149-M:31 (Legal Limit \$30.0 million - principal and interest)	1,065	341	1,406
Total	\$ 198,080	\$ 88,150	\$ 286,230

The state of New Hampshire has a limited liability for the New Hampshire Housing Finance Authority and the New Hampshire Municipal Bond Bank. Both entities are required to maintain a bond reserve fund. A request for an appropriation may be submitted to the Legislature for a sum required to maintain the bond reserve fund at the established bond reserve fund requirements. Amounts so requested are subject to appropriation by the Legislature and do not constitute a debt of the state and no such appropriations have ever been requested.

Effective June 1, 1990, RSA 12-G:14 authorized the Pease Development Authority (PDA) to issue bonds for the development of the Pease Air Force Base. RSA 12-G:27 states that the Governor and Executive Council may award an unconditional state guarantee for the principal, not to exceed \$50 million, plus interest. As of June 30, 2000, the state has issued \$39.6 million in general obligation bonds on behalf of PDA in lieu of a state guarantee, in accordance with RSA 12-G:27, III. The general obligation debt issued on behalf of PDA reduced the legal limit on debt guaranteed by the state to \$10.4 million at June 30, 2000.

Effective June 8, 1994, RSA 12-G:27 authorized the Pease Development Authority (PDA) to issue bonds for the development of the former Pease Air Force Base subject to the approval by the Legislative Fiscal Committee of the comprehensive development plan prepared by the PDA. The Governor and Executive Council may award an unconditional state guarantee for the principal, not to exceed \$35.0 million, plus interest.

Effective May 18, 1992, RSA 33:3 authorized state municipalities to issue Superfund Site Cleanup Bonds in order to pay all response costs associated with the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA). The Governor and Executive Council may award an unconditional state guarantee for the principal, not to exceed \$50 million, and interest.

Federal Grants: The state receives federal grants, which are subject to review and audit by the grantor agencies. Access to these resources is generally conditional upon compliance with terms and conditions of grant agreements and applicable regulations, including expenditure of resources for allowable purposes. Any disallowances resulting from the audit may become the liability of the state. The state estimates that the ultimate disallowance pertaining to these grants, if any, will be immaterial to its overall financial condition.

COMPONENT UNITS

The Community Development Finance Authority records liabilities payable from restricted assets of \$9.3 million. These liabilities relate to economic development projects for which pledges have been received by the authority. There is no guarantee that these projects will begin or be completed. In the event the project does not utilize the funding donated on its behalf, the funds are to be returned to the donor or the state at the discretion of the donor.

14. LEASE COMMITMENTS**OPERATING LEASES**

The state has lease commitments for space requirements which are accounted for as operating leases. These leases, subject to continuing appropriation, extend forward a number of years and may contain rent escalation clauses and renewal options. Rent expenditures for fiscal year 2000 were approximately \$10 million. The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2000 (expressed in thousands):

Payable June 30,	Amount
2001	\$ 8,311
2002	6,189
2003	3,690
2004	2,859
2005	1,991
Thereafter	1,352
Total	\$ 24,392

CAPITAL LEASES

The state has entered into lease agreements as lessee for financing the acquisition of buildings and equipment. These leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments in the general fixed assets account group. The assets acquired through capital leases are \$11.2 million of equipment and \$9 million of buildings. The future minimum lease payments and the net present value of those payments at June 30, 2000, are as follows (in thousands):

Payable June 30,	Amount
2001	\$ 3,287
2002	2,705
2003	1,311
2004	1,244
2005	1,157
Thereafter	5,126
Total.....	14,830
Amount Representing Interest.	3,161
Present Value of Minimum Lease Payments	\$ 11,669

15. LITIGATION**EDUCATION*****Claremont School District, et. al. v. Governor, et. al.***

In June 1991 an action was commenced against the state by five school districts (the plaintiffs) who challenged the constitutionality of the state's statutory system of financing the operation of elementary and secondary public schools primarily through local property taxes. On December 17, 1997, the New Hampshire Supreme Court ruled in favor of the plaintiffs and found that property taxes in support of education are state taxes and that such taxes must be proportional and reasonable throughout the state, and that the current system failed to meet this standard. The Supreme Court further held that a constitutionally adequate public education is a fundamental right, and that the legislative and executive branches must develop and adopt specific criteria implementing appropriate guidelines for such an education.

On April 29, 1999, the state Legislature passed a law that determined the cost of delivering an adequate education for the biennium beginning July 1, 1999, and committed the annual expenditure of approximately \$825 million

While the legislation provided for increased taxes, a statewide property tax, and other funding sources, a fiscal year 2001 current year operating deficit of \$107.5 million and a cumulative deficit of \$41.2 million at June 30, 2001 is projected in the education trust fund. The deficit will increase substantially in future years until a long-term solution is determined.

Sirrell v. Department of Revenue Administration and State

The Department of Revenue Administration (DRA) and the state have been sued by three property owners from communities that must make property tax payments to the state's Education Trust Fund. The plaintiffs seek to have the uniform education property tax declared unconstitutional and to end collection of the tax. The case went to trial for six days beginning October 16, 2000. A final order is expected in January 2001. The state faces a potential loss of \$880 million in property tax revenues collected in 1999 and 2000 plus an injunction preventing the state from collecting future revenues under the tax. In a companion case that has been consolidated with this one, the education property tax has been challenged as unconstitutional because it does not pay the full cost of education in the state.

Town of New London, Town of Newbury, et al. v. State

This case was filed on October 24, 2000, in Merrimack County Superior Court and is a constitutional challenge to the statewide education property tax and the educational funding distribution system. The petitioners are communities that are members of a cooperative school district and are also "donor" communities under the statewide education property tax. They allege that based on the distribution system enacted by the Legislature, they are treated differently than "donor" communities that are not members of a cooperative school district. They also argue that if the distribution system is found to be constitutional, then they should be allowed to renegotiate their cooperative school district allocation formulae.

There is a range of possible remedies to be considered by the trial court and it is impossible to predict the outcome of these cases at this time.

TOBACCO

PTI, Inc., et al. v. Phillip Morris, et al.

The state and the state's Attorney General have been named as defendants in a federal lawsuit filed in California by certain distributors, wholesalers, and importers of tobacco products against the National Association of Attorneys General (NAAG), and all signatories to the Tobacco Master Settlement Agreement (MSA) in *State of New Hampshire v. Phillip Morris et al.* The lawsuit alleges that the tobacco MSA has harmed the plaintiffs' business relationships and violates the federal antitrust law. The lawsuit further attacks as an unconstitutional bill of attainder the so-called Model Act (Chap. 0222 (1999)) under which certain nonparticipating manufacturers of cigarettes are required to pay moneys into an escrow fund to indemnify the state against costs of caring for indigent persons afflicted with smoking related diseases.

Relief sought in this lawsuit includes (i) avoidance of the MSA, including the rights of all states to payment by the tobacco industry under the MSA, (ii) an injunction against enforcement of the Model Act, and (iii) unspecified damages, including treble damages, under federal antitrust law, against the state and against the Attorney General in his personal capacity.

If successful, this lawsuit could compromise the stream of payments to which the state is entitled under the MSA, with a potential impact of \$50 million per year. The fiscal impact of any ruling invalidating the Model Act or assessing damages against the state or the Attorney General cannot be estimated.

The state was served with a summons on August 17, 1999. The state intends to vigorously contest this lawsuit. There is little or no likelihood of settlement. New Hampshire and other states that signed the MSA have been prepared for this lawsuit for some time. While the potential loss in damages and loss of income could exceed \$50 million per year in perpetuity, the Attorney General's Office considers such potential damages remote.

INTEREST AND DIVIDENDS TAX

Smith, et al. v. Department of Revenue Administration

A consolidated action against the New Hampshire Department of Revenue Administration in which taxpayers challenged the constitutionality, under both the State and Federal Constitutions, of the interest and dividends tax law in effect from 1989 through June 30, 1994 was tried in Merrimack County Superior Court in June, 2000. That trial resulted in a judgment rejecting the plaintiffs' broad claims for in excess of \$100 million and ordered the state to provide the plaintiffs with a refund of taxes paid on interest and dividends from out-of-state instruments only. The state estimates its potential maximum exposure under this order to be approximately \$3 million plus interest and has recognized this liability in the general long term debt account group.

The plaintiffs appealed the decision to the NH Supreme Court and the State has appealed the ruling of the Superior Court that the plaintiffs are entitled to any refund. If the Supreme Court were to accept the plaintiffs' appeal and overrule the Superior Court's judgment, the matter could be remanded for further fact finding by the

Superior Court and could result in an award of greater than the currently anticipated amount. On the other hand, the State's cross appeal could result in no liability whatsoever for the State.

MEDICAID REIMBURSEMENT

New Hampshire Health Care Association v. Department of Health and Human Services

This federal court lawsuit is an action for declaratory and injunctive relief and damages brought by the Association on behalf of its member nursing facilities to challenge the State's Medicaid nursing facility rate of reimbursement system. The Association alleges that the State violated a Settlement Agreement as well as Federal Medicaid law when it implemented its nursing home Medicaid reimbursement system in February and March 1999. The Settlement Agreement expired in June 1999. The Association also challenges the adequacy of rates under the new reimbursement system. An order in favor of the Plaintiffs could result in eventual cost to the State in excess of \$2 million. It is impossible to predict the outcome of these claims at this time.

OTHER LITIGATION

The state, its agencies and employees are defendants in numerous other lawsuits challenging the state's method of including certain foreign income in determining the business profits tax and challenging the administration of the state's Medicaid program. Although the Attorney General is unable to predict the ultimate outcome of the majority of these suits, in the opinion of the Attorney General and the commissioner of the Department of Administrative Services, the likelihood of such litigation resulting, either individually or in the aggregate, in final judgements against the state which would materially affect its financial position is remote. Accordingly, no provision for such ultimate liability, if any, has been made in the financial statements.



COMBINING FINANCIAL STATEMENTS AND SCHEDULES

**SCHEDULE OF EXPENDITURES AT THE LEGAL LEVEL OF CONTROL - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)**

GENERAL GOVERNMENT

Legislative Branch.....
Executive.....
Administrative Services.....
Sec of State.....
Cultural Resources.....
Revenue Administration.....
State Treasury.....
Board of Tax and Land Appeals.....
NH Retirement System.....
Pease Development Authority.....
Total.....

Budget	Actual	Favorable (Unfavorable)
\$ 11,822	\$ 11,115	\$ 707
3,119	2,802	317
49,022	44,996	4,026
3,938	2,915	1,023
3,761	3,512	249
19,215	17,608	1,607
141,788	119,409	22,379
713	587	126
36,136	33,954	2,182
5,948	1,664	4,284
275,462	238,562	36,900

JUSTICE AND PUBLIC PROTECTION

Supreme Court.....
Adjutant General.....
Agriculture.....
Justice Department.....
Bank Commission.....
Emergency Management.....
Pari-Mutuel Commission.....
Highway Safety.....
Insurance.....
Labor
Public Utilities Commission.....
Safety.....
Corrections Department.....
Judicial Council.....
Human Rights Commission
Other Boards and Commissions.....
Total.....

52,880	52,127	753
3,757	3,545	212
2,354	2,222	132
10,965	10,457	508
2,144	1,782	362
3,975	2,816	1,159
2,059	1,839	220
414	376	38
4,095	3,664	431
6,698	6,342	356
7,590	6,850	740
63,694	58,647	5,047
66,187	60,489	5,698
13,915	13,668	247
538	421	117
1,640	1,488	152
242,905	226,733	16,172

RESOURCE PROTECTION AND DEVELOPMENT

Business Finance Authority.....
Resource and Economic Development.....
Environmental Services.....
Total.....

11	11	
11,314	10,939	375
40,216	35,513	4,703
51,541	46,463	5,078

TRANSPORTATION

Transportation.....
NH Port Authority.....
Total.....

9,989	8,863	1,126
580	514	66
10,569	9,377	1,192

HEALTH AND SOCIAL SERVICES

Health and Human Services Commissioner.....
Office of Health Management.....
Children and Youth.....
Behavioral Health.....
Developmental Services.....
N H Hospital.....
Home for Elderly.....
N H Veterans Home.....
Veterans Council.....
Youth Development Services.....
Elderly and Adult Services.....
Other Boards and Commissions.....
Total.....

24,405	21,609	2,796
27,797	23,917	3,880
89,710	85,287	4,423
80,038	79,669	369
118,756	117,185	1,571
45,388	41,369	4,019
8,880	8,188	692
7,326	7,268	58
262	253	9
14,364	12,987	1,377
776	703	73
3,194	2,751	443
420,896	401,186	19,710

EDUCATION

Post Secondary Education Commission.....
Department of Education.....
Post Secondary Technical Education
Police Standards and Training Council.....
University of New Hampshire.....
Total.....

2,622	2,581	41
51,309	51,309	
56,030	53,073	2,957
2,776	2,534	242
72,985	72,985	
185,722	182,482	3,240

Total Expenditures.....

\$ 1,187,095	\$ 1,104,803	\$ 82,292
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SPECIAL REVENUE FUNDS

Highway Fund: *Under the state Constitution, all revenues in excess of the necessary cost of collection and administration accruing to the state from motor vehicle registration fees, operators' licenses, gasoline road toll, or any other special charges or taxes with respect to the operation of motor vehicles or the sale or consumption of motor vehicle fuels are appropriated and used exclusively for the construction, reconstruction, and maintenance of public highways within this state, including the supervision of traffic thereon and for the payment of the interest and principal of bonds issued for highway purposes. All such revenues, together with federal grants-in-aid received by the state for highway purposes, are credited to the Highway Fund. While the principal and interest on state highway bonds are charged to the Highway Fund, the assets of this fund are not pledged to such bonds.*

Fish and Game Fund: *The operations of the state Fish and Game Department, including the operation of fish hatcheries, inland and marine fisheries, and wildlife areas, and functions related to law enforcement, land acquisition, and wildlife management and research, are financed through the Fish and Game Fund. Principal revenues of this fund include fees from fish and game licenses, the marine gas tax, penalties, and recoveries, and federal grants-in-aid related to fish and game management, all of which are appropriated annually by the Legislature for the use of the Fish and Game Department.*

Special Fund: *The state allocates to the Special Fund expenditures and revenues of programs that, by statute, operate primarily from specific program revenues or from federal grants-in-aid, including social services programs, education assistance programs, and the administrative expenses of the Department of Employment Security.*

Education Trust Fund: *The Education Trust Fund was established to distribute adequate education grants to school districts. Funding for the grants comes from a variety of sources, including the statewide property and utility taxes, incremental portions of existing business and tobacco taxes, sweepstakes funds, and tobacco settlement funds.*

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2000
(Expressed in Thousands)

	Highway Fund	Fish and Game Fund	Special Fund	Education Trust Fund	Totals
<u>ASSETS</u>					
Cash and Cash Equivalents.....	\$ 106,816	\$ 8,462	\$ 25,302	\$ 59,958	\$ 200,538
Receivables (Net of Allowances for Uncollectibles).....	29,791	1,106	127,229	6,270	164,396
Due from Other Funds.....			9,889	1,242	11,131
Due from Component Units.....			6,444		6,444
Inventories.....	5,257	750			6,007
Loans Receivable.....			128,986		128,986
Total Assets.....	\$ 141,864	\$ 10,318	\$ 297,850	\$ 67,470	\$ 517,502
<u>LIABILITIES AND FUND EQUITY</u>					
LIABILITIES:					
Accounts Payable.....	\$ 20,771	\$ 581	\$ 90,609		\$ 111,961
Accrued Payroll.....	2,408	327	3,407		6,142
Deferred Revenue.....	442		135,778		136,220
Total Liabilities.....	23,621	908	229,794		254,323
FUND EQUITY:					
Reserved for Encumbrances.....	128,692	663	51,526		180,881
Reserved for Inventories.....	5,257	750			6,007
Reserved for Unexpended Appropriations.....		4,738	16,530	\$ 1,122	22,390
Unreserved, Undesignated Fund Balance (Deficit).....	(15,706)	3,259		66,348	53,901
Total Fund Equity.....	118,243	9,410	68,056	67,470	263,179
Total Liabilities and Fund Equity.....	\$ 141,864	\$ 10,318	\$ 297,850	\$ 67,470	\$ 517,502

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	Highway Fund	Fish and Game Fund	Special Fund	Education Trust Fund	Total
REVENUES:					
General Property Taxes.....				\$ 473,292	\$ 473,292
Special Taxes.....			\$ 60,125	111,081	171,206
Personal Taxes.....				26,650	26,650
Business License Taxes.....	\$ 135,800		1,371		137,171
Non-Business License Taxes.....	53,623	\$ 6,737			60,360
Fees.....	16,574	1,208	18,925		36,707
Fines, Penalties and Interest.....	460	123	1,313		1,896
Grants from Federal Government.....	133,387	3,992	659,250		796,629
Grants from Private and Local Sources.....	6,700	294	80,249		87,243
Interest, Premiums and Discounts.....	5,153	403	4,951	2,924	13,431
Sale of Commodities.....	131	218	5,885		6,234
Sale of Services.....	4,900		804		5,704
Assessments.....	495		2,531		3,026
Grants from Other Agencies.....	706	594	711		2,011
Miscellaneous.....	3,754	370	14,071	53,750	71,945
Total Revenues.....	361,683	13,939	850,186	667,697	1,893,505
EXPENDITURES:					
Current:					
General Government.....			39,146	1,263	40,409
Administration of Justice and Public Protection.....	1,461		36,291		37,752
Resource Protection and Development.....		12,572	64,295		76,867
Transportation.....	205,473		291		205,764
Health and Social Services.....			821,803		821,803
Education.....			107,848	824,818	932,666
Debt Service.....	5,005	291	1,633		6,929
Capital Outlay.....	157,003	1,818	8,557	30	167,408
Total Expenditures.....	368,942	14,681	1,079,864	826,111	2,289,598
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(7,259)	(742)	(229,678)	(158,414)	(396,093)
OTHER FINANCING SOURCES (USES):					
Operating Transfers In.....		797	236,812	164,367	401,976
Enterprise Transfers In.....				61,517	61,517
Operating Transfers Out.....	(1,555)				(1,555)
Total Other Financing Sources (Uses)	(1,555)	797	236,812	225,884	461,938
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....	(8,814)	55	7,134	67,470	65,845
Fund Balances - July 1.....	125,855	9,254	60,922		196,031
Change in Reserve for Inventory	1,202	101			1,303
Fund Balances - June 30.....	\$ 118,243	\$ 9,410	\$ 68,056	\$ 67,470	\$ 263,179

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AT THE LEGAL LEVEL OF CONTROL, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS - SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	Highway			Fish and Game		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
REVENUES:						
General Property Taxes.....						
Special Taxes.....				\$ 43	\$ 1	\$ (42)
Personal Taxes.....						
Business License Taxes.....	\$ 142,200	\$ 135,800	\$ (6,400)	30		(30)
Non-Business License Taxes.....	52,366	53,623	1,257	7,041	6,737	(304)
Fees.....	15,513	16,574	1,061	1,481	1,209	(272)
Fines, Penalties and Interest.....	735	460	(275)	100	123	23
Grants from Federal Government.....	141,162	125,208	(15,954)	4,341	4,181	(160)
Grants from Private and Local Sources.....	9,112	11,196	2,084	221	283	62
Rents and Leases.....						
Interest Premiums and Discounts.....	5,600	5,153	(447)	375	403	28
Sale of Commodities.....	159	131	(28)	266	218	(48)
Sale of Services.....	20,275	17,954	(2,321)			
Assessments.....	339	495	156			
Grants from Other Agencies.....	788	730	(58)	647	598	(49)
Miscellaneous.....	341	9,583	9,242	1,922	2,857	935
Total Revenue.....	388,590	376,907	(11,683)	16,467	16,610	143
EXPENDITURES:						
General Government						
Executive.....						
Administrative Services.....						
Cultural Resources.....						
Revenue Administration.....						
Total.....						
Justice and Public Protection						
Adjutant General.....						
Agriculture.....						
Justice Department.....						
Emergency Managemant.....						
Highway Safety.....						
Labor						
Safety.....	1,457	564	893			
Corrections Department.....						
Employment Security.....						
Total.....	1,457	564	893			
Resource Protection and Development						
Fish and Game Commission.....				18,686	17,270	1,416
Resource and Economic Development.....						
Environmental Services.....						
Total.....				18,686	17,270	1,416
Transportation						
Transportation.....	400,410	365,960	34,450			
NH Port Authority.....						
Total.....	400,410	365,960	34,450			

Special			Education			TOTALS		
Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
			\$ 472,975	\$ 473,292	\$ 317	\$ 472,975	\$ 473,292	\$ 317
\$ 60,125	\$ 60,125		172,000	172,598	598	232,168	232,724	556
			26,000	26,650	650	26,000	26,650	650
2,423	1,371	\$ (1,052)				144,653	137,171	(7,482)
						59,407	60,360	953
27,932	18,950	(8,982)				44,926	36,733	(8,193)
2,155	1,138	(1,017)				2,990	1,721	(1,269)
733,957	639,416	(94,541)				879,460	768,805	(110,655)
84,666	16,617	(68,049)				93,999	28,096	(65,903)
37	323	286				37	323	286
2,649	4,096	1,447	2,900	2,924	24	11,524	12,576	1,052
4,299	5,797	1,498				4,724	6,146	1,422
1,730	831	(899)				22,005	18,785	(3,220)
3,078	2,531	(547)				3,417	3,026	(391)
8,701	7,917	(784)				10,136	9,245	(891)
18,891	10,632	(8,259)	53,000	53,750	750	74,154	76,822	2,668
950,643	769,744	(180,899)	726,875	729,214	2,339	2,082,575	1,892,475	(190,100)
44,439	39,140	5,299				44,439	39,140	5,299
1,094	824	270				1,094	824	270
1,729	1,146	583				1,729	1,146	583
			1,361	1,292	69	1,361	1,292	69
47,262	41,110	6,152	1,361	1,292	69	48,623	42,402	6,221
5,261	4,890	371				5,261	4,890	371
352	268	84				352	268	84
8,197	7,077	1,120				8,197	7,077	1,120
8,107	8,032	75				8,107	8,032	75
1,999	1,448	551				1,999	1,448	551
64	64					64	64	
10,200	10,030	170				11,657	10,594	1,063
350	350					350	350	
31,061	23,670	7,391				31,061	23,670	7,391
65,591	55,829	9,762				67,048	56,393	10,655
						18,686	17,270	1,416
15,578	15,425	153				15,578	15,425	153
83,188	56,872	26,316				83,188	56,872	26,316
98,766	72,297	26,469				117,452	89,567	27,885
						400,410	365,960	34,450
30	30					30	30	
30	30					400,440	365,990	34,450

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AT THE LEGAL LEVEL OF CONTROL, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS - SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000 (CONTINUED)**
(Expressed in Thousands)

	Highway			Fish and Game		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Health and Social Services						
Health and Human Services Commissioner.....						
Office of Health Management.....						
Children and Youth.....						
Transitional Assistance.....						
Behavioral Health.....						
Developmental Services.....						
N H Hospital.....						
Youth Development Services.....						
Elderly and Adult Services.....						
Total.....						
Education						
Post Secondary Education Commission.....						
Department of Education.....						
Post Secondary Technical Education						
Total.....						
Total Expenditures.....	\$ 401,867	\$ 366,524	\$ 35,343	\$ 18,686	\$ 17,270	\$ 1,416
Excess (Deficiency) of Revenues						
Over (Under) Expenditures.....	(13,277)	10,383	23,660	(2,219)	(660)	1,559
OTHER FINANCING SOURCES (USES):						
Operating Transfers In.....				798	798	
Operating Transfers Out	(1,555)	(1,555)				
Total Other Financing Sources (Uses).....	(1,555)	(1,555)		798	798	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses....	(14,832)	\$ 8,828	\$ 23,660	(1,421)	\$ 138	\$ 1,559
Other Budget Items:						
Transfers from Available Funds.....				995		
Budget Lapses.....	14,832			426		
Net Budget.....	\$ -0-			\$ -0-		

Special			Education			TOTALS		
Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
181,263	176,410	4,853				181,263	176,410	4,853
213,632	204,071	9,561				213,632	204,071	9,561
26,021	25,614	407				26,021	25,614	407
77,517	74,081	3,436				77,517	74,081	3,436
28,707	21,467	7,240				28,707	21,467	7,240
23,869	17,296	6,573				23,869	17,296	6,573
3,110	2,983	127				3,110	2,983	127
176	114	62				176	114	62
286,427	281,772	4,655				286,427	281,772	4,655
840,722	803,808	36,914				840,722	803,808	36,914
112	82	30				112	82	30
128,176	96,072	32,104	825,912	824,819	1,093	954,088	920,891	33,197
14,766	14,766					14,766	14,766	
143,054	110,920	32,134	825,912	824,819	1,093	968,966	935,739	33,227
\$1,195,425	\$1,083,994	\$ 111,431	\$ 827,273	\$ 826,111	\$ 1,162	\$2,443,251	\$2,293,899	\$ 149,352
(244,782)	(314,250)	(69,468)	(100,398)	(96,897)	3,501	(360,676)	(401,424)	(40,748)
254,411	254,411		164,367	164,367		419,576	419,576	
						(1,555)	(1,555)	
254,411	254,411		164,367	164,367		418,021	418,021	
9,629	<u>\$ (59,839)</u>	<u>\$ (69,468)</u>	63,969	<u>\$ 67,470</u>	<u>\$ 3,501</u>	57,345	<u>\$ 16,597</u>	<u>\$ (40,748)</u>
						995		
						15,258		
<u>\$ 9,629</u>			<u>\$ 63,969</u>			<u>\$ 73,598</u>		



ENTERPRISE FUNDS

Turnpike System: *The state constructs, maintains, and operates transportation toll facilities. The Legislature has established a 10-year state highway construction and reconstruction plan and authorized major expansion and improvement projects as part of a Capital Improvement Program. These include a partial circumferential highway around the City of Nashua and other projects that will provide major improvements to the Central Turnpike from Bedford to Nashua and include new interchanges, widening, and a toll plaza. Additional projects are planned that will provide safety improvements to the existing Turnpike System and increase the Turnpike System's capacity.*

Liquor Commission: *Receipts from operations of the Liquor Commission are transferred to the General Fund on a daily basis. The General Fund advances cash to the Liquor Commission for the purchase of liquor inventory. By statute, all liquor and beer sold in the state must be sold through a sales and distribution system operated by the state Liquor Commission, comprising three members appointed by the Governor with the consent of the Executive Council. The Commission makes all liquor purchases directly from the manufacturers and importers and operates state liquor stores in cities and towns that accept the provisions of the local option law. The Commission is authorized to lease and equip stores, warehouses, and other merchandising facilities for liquor sales, to supervise the construction of state-owned liquor stores at various locations in the state, and to sell liquor through retail outlets as well as direct sales to restaurants, hotels, and other organizations. The Commission also charges permit and license fees for the sale of beverages through private distributors and retailers and an additional fee of 30 cents per gallon on beverages sold by such retailers.*

Sweepstakes Commission: *The state sells lottery games through some 1,350 agents, including state liquor stores, licensed racetracks, and private retail outlets. Through the sale of lottery tickets, revenue is generated for prize payments and commission expenses, with the net income used for aid to education. This net income is transferred to the Department of Education in the General Fund and then transferred to the local school districts.*

COMBINING BALANCE SHEET
ENTERPRISE FUNDS
JUNE 30, 2000
(Expressed in Thousands)

ASSETS	Turnpike System	Liquor Commission	Sweepstakes Commission	Total
Current Assets:				
Cash and Cash Equivalents.....	\$ 13,493	\$ 3,024	\$ 4,506	\$ 21,023
Receivables (Net of Allowances for Uncollectibles).....	5,376	4,007	2,080	11,463
Due from Other Funds.....		3,663		3,663
Inventories.....	445	19,157	435	20,037
Prepaid Expenses.....			115	115
Total Current Assets.....	19,314	29,851	7,136	56,301
Restricted Assets:				
Cash and Cash Equivalents.....	3,533			3,533
Investments.....	82,758			82,758
Total Restricted Assets.....	86,291			86,291
Deferred Charges.....	3,208			3,208
Fixed Assets:				
Land.....	89,203	2,055		91,258
Land Improvements.....		625		625
Buildings.....	3,619	13,327		16,946
Building Improvements.....		1,232		1,232
Equipment.....	14,320	7,589	941	22,850
Construction in Progress.....	75,751			75,751
Infrastructure.....	452,726			452,726
Less: Allowance for Depreciation and Amortization.....	(131,168)	(10,418)	(568)	(142,154)
Net Fixed Assets.....	504,451	14,410	373	519,234
Total Assets.....	\$ 613,264	\$ 44,261	\$ 7,509	\$ 665,034
LIABILITIES AND FUND EQUITY				
Current Liabilities:				
Accounts Payable.....	\$ 3,075	\$ 25,612	\$ 803	\$ 29,490
Accrued Payroll.....	347	602	87	1,036
Due to Other Funds.....			1,242	1,242
Deferred Revenue.....		1,855	703	2,558
Unclaimed Prizes.....			4,371	4,371
Other Liabilities.....	310			310
General Obligation Bonds Payable - current.....	4,192			4,192
Total Current Liabilities.....	7,924	28,069	7,206	43,199
Current Liabilities Payable from Restricted Assets:				
Revenue Bonds Payable.....	6,785			6,785
Accrued Interest Payable.....	4,763			4,763
Total Current Liabilities Payable from Restricted Assets...	11,548			11,548
Noncurrent Liabilities:				
General Obligation Bonds Payable.....	26,222			26,222
Revenue Bonds Payable (Net of Unamortized Discount).....	331,307			331,307
Compensated Absences Payable.....	1,648	1,782	303	3,733
Total Noncurrent Liabilities.....	359,177	1,782	303	361,262
Total Liabilities.....	378,649	29,851	7,509	416,009
Fund Equity:				
Contributions from Other Funds.....		14,410		14,410
Contributed Capital (Net of Amortization).....	35,425			35,425
Retained Earnings (Deficit).....	199,190			199,190
Total Fund Equity.....	234,615	14,410		249,025
Total Liabilities and Fund Equity.....	\$ 613,264	\$ 44,261	\$ 7,509	\$ 665,034

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	Turnpike System	Liquor Commission	Sweepstakes Commission	Totals
OPERATING REVENUES:				
Charges for Sales and Services.....	\$ 60,657	\$ 289,157	\$ 193,013	\$ 542,827
OPERATING EXPENSES:				
Cost of Sales and Services.....		207,775	126,148	333,923
Personnel Services.....	7,513	12,192	1,713	21,418
Supplies and Materials.....	1,077	368	70	1,515
Communication Services.....	45	350	22	417
Travel.....	87	108	52	247
Printing and Binding.....		123	40	163
Advertising.....		744	2,747	3,491
Heat, Light and Power.....	1,018	752		1,770
Rent.....	247	1,479	311	2,037
Repairs.....	5,899	217	10	6,126
Payroll Benefits.....	2,623	3,242	660	6,525
Indirect Costs.....	886	304	29	1,219
Enforcement.....	3,591		289	3,880
Miscellaneous.....	1,468	711	505	2,684
Depreciation.....	10,182	1,361	113	11,656
Total Operating Expenses.....	34,636	229,726	132,709	397,071
Operating Income.....	26,021	59,431	60,304	145,756
NONOPERATING REVENUES (EXPENSES):				
Licenses.....		3,047		3,047
Beer Taxes.....		11,878		11,878
Investment Income.....	1,376		1,213	2,589
Miscellaneous.....	1,404	1,822		3,226
Interest on Bonds.....	(16,417)			(16,417)
Amortization of Bond Issuance Costs.....	(209)			(209)
Total Nonoperating Revenues (Expenses).....	(13,846)	16,747	1,213	4,114
Income Before Operating Transfers.....	12,175	76,178	61,517	149,870
Operating Transfers:				
To General Fund and Education Fund.....		(76,178)	(61,517)	(137,695)
Net Income.....	12,175			12,175
Add: Depreciation on Fixed Assets Acquired by Grants and Entitlements Externally Restricted for Capital Acquisitions and Construction that Reduces Contributed Capital.....	807			807
Increase in Retained Earnings.....	12,982			12,982
Retained Earnings - July 1.....	186,208			186,208
Retained Earnings - June 30.....	\$ 199,190		\$	199,190

**COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)**

	Turnpike System	Liquor Commission	Sweepstakes Commission	Total
Cash Flows from Operating Activities:				
Operating Income.....	\$ 26,021	\$ 59,431	\$ 60,304	\$ 145,756
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation.....	10,182	1,361	113	11,656
Amortization.....	209			209
Change in Operating Assets and Liabilities:				
(Increase) Decrease in Receivables.....	30	(578)	(1,641)	(2,189)
(Increase) Decrease in Inventories.....	304	(1,419)	27	(1,088)
(Increase) Decrease in Prepaid Expenses.....			(113)	(113)
Loss on Sale of Fixed Asset.....			12	12
Increase (Decrease) in Accounts Payable and Other Accruals..	390	(1,401)	(921)	(1,932)
Increase (Decrease) in Deferred Revenue.....		86	(283)	(197)
Net Cash Provided by Operating Activities.....	37,136	57,480	57,498	152,114
Cash Flows from Noncapital Financing Activities:				
Transfers to Other Funds.....		(72,844)	(68,855)	(141,699)
Proceeds from Collection of Licenses and Beer Tax.....		14,925		14,925
Net Cash Used for Noncapital and Related Financing Activities.....		(57,919)	(68,855)	(126,774)
Cash Flows from Capital and Related Financing Activities:				
Acquisition, Disposal and Construction of Capital Assets.....	(21,052)	(827)	(141)	(22,020)
Increase in Contributed Capital.....	121			121
Interest Paid on Revenue and General Obligation Bonds.....	(21,892)			(21,892)
Principal Paid on Bonds.....	(10,818)			(10,818)
Contributions from Other Funds.....		827		827
Net Cash (Used for) Capital and Related Financing Activities.....	(53,641)		(141)	(53,782)
Cash Flows from Investing Activities:				
Purchase of Investments.....	(27,880)			(27,880)
Proceeds from Maturities of Investments.....	47,842			47,842
Interest and Other Income.....	6,004	1,823	971	8,798
Net Cash Provided by Investing Activities.....	25,966	1,823	971	28,760
Net Increase (Decrease) in Cash and Cash Equivalents.....	9,461	1,384	(10,527)	318
Cash and Cash Equivalents - July 1.....	7,565	1,640	15,033	24,238
Cash and Cash Equivalents -June 30.....	\$ 17,026	\$ 3,024	\$ 4,506	\$ 24,556

TRUST AND AGENCY FUNDS

Expendable Trusts: *An expendable trust is created when both the principal and the earnings of the fund can be expended to achieve the objectives of the fund. The State's Unemployment Compensation Trust Fund is the major component of the State's expendable trust funds.*

Nonexpendable Trusts: *The nonexpendable trusts account for assets received and expended by the state as the trustee. The principal of the funds is nonexpendable, whereas the earnings on the principal are used to support the individual fund's purpose.*

Investment Trust Fund: *The investment trust fund represents the external portion of the New Hampshire Public Deposit Investment Pool (NHPDIP). The NHPDIP has been established, in accordance with RSA 383:22-24, for the purpose of investing funds of the state of New Hampshire, funds under the custody of all governmental units, pooled risk management programs established pursuant to RSA 5-B, agencies, authorities, commissions, boards, political subdivisions, and all other public units within, or instrumentalities of the state of New Hampshire. In accordance with GAAP, the external portion of the NHPDIP is reported as an investment trust fund in the Trust and Agency Funds using the economic resources measurement focus and accrual basis of accounting. The internal portion of the pool is reported in the general fund. NHPDIP financial statements can be obtained by contacting NHPDIP at 497 Belknap Mountain Rd, Gilford NH 03246.*

Agency Funds: *Assets received by the state as an agent for other governmental units, other organizations, or individuals are accounted for as agency funds. Payroll taxes collected on behalf of the federal government and employee voluntary deductions for deposit to the State's deferred compensation plan are two of the larger agency funds of the state.*



COMBINING BALANCE SHEET
TRUST AND AGENCY FUNDS
JUNE 30, 2000
(Expressed in Thousands)

<u>ASSETS</u>	Expendable Trust Funds	Non- Expendable Trust Funds	Investment Trust Fund	Agency Funds	Totals
Cash and Cash Equivalents.....	\$ 713	\$ 701	\$ 2,726	\$ 8,357	\$ 12,497
Investments.....	323,102	15,010	350,466	142,314	830,892
Inventories.....	71				71
Receivables (Net of Allowances for Uncollectibles).....	7,065		2,069		9,134
Total Assets.....	\$ 330,951	\$ 15,711	\$ 355,261	\$ 150,671	\$ 852,594
 <u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES:					
Due to Other Taxing Units.....				\$ 21	\$ 21
Custodial Funds Payable.....	\$ 26			150,650	150,676
Payment Due Other Jurisdictions.....	3,939		\$ 9,094		13,033
Total Liabilities.....	3,965		9,094	150,671	163,730
 FUND BALANCES:					
Reserved for Unemployment Compensation Benefits.....	322,330				322,330
Reserved for Various Trust Funds.....	4,656	\$ 15,711			20,367
Reserved for External Investment Pool Participants.....			346,167		346,167
Total Fund Balances.....	326,986	15,711	346,167		688,864
Total Liabilities and Fund Balances.....	\$ 330,951	\$ 15,711	\$ 355,261	\$ 150,671	\$ 852,594

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	Balance July 1, 1999	Additions	Deletions	Balance June 30, 2000
<u>PAYROLL TAXES AND FRINGE BENEFITS</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents.....	\$ 26	\$ 560	\$ 565	\$ 21
<u>LIABILITIES</u>				
Due to Other Taxing Units.....	\$ 26	\$ 560	\$ 565	\$ 21
<u>DEFERRED COMPENSATION WITHHOLDINGS</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents.....	\$ 2	\$ 10,442	\$ 10,444	\$ 0
<u>LIABILITIES</u>				
Custodial Funds Payable.....	\$ 2	\$ 10,442	\$ 10,444	\$ 0
<u>UNIFIED COURT SYSTEM</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents.....	\$ 4,129	\$ 29,894	\$ 29,279	\$ 4,744
<u>LIABILITIES</u>				
Custodial Funds Payable.....	\$ 4,129	\$ 29,894	\$ 29,279	\$ 4,744
<u>CHILD SUPPORT FUND</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents.....	\$ 2,103	\$ 79,683	\$ 79,669	\$ 2,117
<u>LIABILITIES</u>				
Custodial Funds Payable.....	\$ 2,103	\$ 79,683	\$ 79,669	\$ 2,117
<u>NUCLEAR DECOMMISSIONING</u>				
<u>ASSETS</u>				
Investments.....	\$ 102,477	\$ 37,375	\$ 3,170	\$ 136,682
<u>LIABILITIES</u>				
Custodial Funds Payable.....	\$ 102,477	\$ 37,375	\$ 3,170	\$ 136,682

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)

AGENCY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2000

(Expressed in Thousands)

	Balance July 1, 1999	Additions	Deletions	Balance June 30, 2000
<u>MAINE - NEW HAMPSHIRE BRIDGE AUTHORITY</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents.....	\$ 236		\$ 236	\$ 0
Investments.....	5,211	\$ 304	243	5,272
Total Assets.....	\$ 5,447	\$ 304	\$ 479	\$ 5,272
<u>LIABILITIES</u>				
Custodial Funds Payable.....	\$ 5,447	\$ 304	\$ 479	\$ 5,272
<u>MISCELLANEOUS AGENCY FUNDS</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents.....	\$ 1,484	\$ 6,048	\$ 6,057	\$ 1,475
Investments.....	629	92	361	360
Total Assets.....	\$ 2,113	\$ 6,140	\$ 6,418	\$ 1,835
<u>LIABILITIES</u>				
Due to Component Units.....	\$ 323		\$ 323	\$ 0
Custodial Funds Payable.....	1,790	\$ 6,140	6,095	1,835
Total Liabilities.....	\$ 2,113	\$ 6,140	\$ 6,418	\$ 1,835
<u>TOTALS - AGENCY FUNDS</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents.....	\$ 7,980	\$ 126,627	\$ 126,250	\$ 8,357
Investments.....	108,317	37,771	3,774	142,314
Total Assets.....	\$ 116,297	\$ 164,398	\$ 130,024	\$ 150,671
<u>LIABILITIES</u>				
Due to Other Taxing Units.....	\$ 26	\$ 560	\$ 565	\$ 21
Due to Component Units.....	323		323	0
Custodial Funds Payable.....	115,948	163,838	129,136	150,650
Total Liabilities.....	\$ 116,297	\$ 164,398	\$ 130,024	\$ 150,671

TRANSFERS SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	Transfers In						
	Special Revenue Funds					Capital Projects Fund	Combined Totals
	General Fund	Fish and Game	Special	Education	Total		
Transfers Out:							
General Fund.....		\$ 20	\$ 236,812	\$ 164,367	\$ 401,199	\$ 64	\$ 401,263
Highway.....	\$ 778	777			777		1,555
Enterprise Funds:							
Liquor.....	76,178						76,178
Sweepstakes.....				61,517	61,517		61,517
Total Enterprise.....	76,178			61,517	61,517		137,695
Combined Totals.....	\$ 76,956	\$ 797	\$ 236,812	\$ 225,884	\$ 463,493	\$ 64	\$ 540,513

COMPONENT UNITS

Business Finance Authority - (BFA): *The BFA was established to provide preservation, establishment, and redevelopment of business and industry for the betterment of the economy of the state and its inhabitants, create or preserve employment opportunities, protect the physical environment, preserve or increase the social welfare or economic prosperity of the state or its political subdivisions, and promote the general welfare of the State's citizens. The BFA accomplishes its purposes through various loan programs it offers to the State's businesses and industries. Operations are funded primarily through bond service charge fees and rental income from a building located at an industrial park.*

Pease Development Authority - (PDA): *The PDA, successor to the Pease Redevelopment Commission (PRC), was established to implement the PRC's comprehensive plan for the conversion and redevelopment of the Pease International Tradeport. The guiding principles of the plan were job creation, fiscal viability, economic development, and environmental quality. Operations are funded primarily through facility lease income, airport joint use income, and golf course revenues.*

The Community Development Finance Authority - (CDFA): *The CDFA was established to provide financial and technical assistance to community based housing and economic development projects. The CDFA charges fees to donee organizations based upon the fair value of property conveyed to the CDFA. The CDFA also distributes pledges it receives to the respective economic development organizations and charges a fee which ranges from 15 to 20 percent of the pledges for managing the program. Operations are financed primarily through these fees.*

University System of New Hampshire: *The University System was established to provide the residents of the state with a well coordinated system of public higher education offering the arts and sciences, and the professional and technical 2-year, 4-year, and graduate programs that serve the needs of the state and the Nation. In addition, the University System of New Hampshire generates research that contributes to the welfare of humanity, to the development of faculty, and to the educational experiences of students and provides educational resources and professional expertise to benefit the state and its people.*

New Hampshire Retirement System: *The New Hampshire Retirement System is the administrator of a cost-sharing multiple-employer contributory pension plan and trust established on July 1, 1967, and is intended for all time to meet the requirements of a qualified tax-exempt organization within the meaning of section 401(a) and section 501(a) of the United States Internal Revenue Code. Participating employers include the employees of the state government of New Hampshire, certain cities and towns, all counties, and various school districts.*

COMBINING BALANCE SHEET
COMPONENT UNITS
JUNE 30, 2000
(Expressed in Thousands)

	College and University Funds	Pension Trust Funds	Enterprise Funds	Totals
<u>ASSETS</u>				
Cash, Cash Equivalents, and Short-term Investments.....	\$ 50,912	\$ 475,918	\$ 7,471	\$ 534,301
Receivables:				
Accounts (Net of Allowances For Uncollectibles).....	20,798		4,027	24,825
Accrued Interest and Dividends.....		16,625		16,625
Contributions and Other.....		160,157		160,157
Loans and Notes Receivable (Net of Allowances For Uncollectibles).....	20,962		2,652	23,614
Investments.....	256,683	4,800,436	130	5,057,249
Restricted Assets:				
Cash and Cash Equivalents.....			9,186	9,186
Investments.....			10,677	10,677
Receivables.....			14,004	14,004
Total Restricted Assets.....	0	0	33,867	33,867
Fixed Assets, Net.....	369,235		60,229	429,464
Other Assets.....	5,852	188	10,911	16,951
Total Assets.....	\$ 724,442	\$ 5,453,324	\$ 119,287	\$ 6,297,053
<u>LIABILITIES AND FUND EQUITY</u>				
Accounts Payable.....	\$ 26,321		\$ 699	\$ 27,020
Accrued Payroll.....	10,431		38	10,469
Deferred Revenue.....	17,642		385	18,027
Current Portion of Bonds Payable.....			1,000	1,000
Other Current Liabilities.....			665	665
Current Liabilities Payable from Restricted Assets.....			11,648	11,648
Bonds Payable.....			19,663	19,663
Due to Primary Government.....	8,750		53,620	62,370
Long-term Debt.....	95,532			95,532
Compensated Absences and Accrued Employee Benefits Due to Brokers for Securities Purchased.....	57,973	211,940		211,940
Management Fees and Other Payables.....		482,465		482,465
Advances from Tenant.....			405	405
Other Noncurrent Liabilities.....			6,216	6,216
Total Liabilities.....	216,649	694,405	94,339	1,005,393
Fund Equity:				
Contributed Capital.....			28,408	28,408
Retained Earnings (Deficit).....			(3,460)	(3,460)
Fund Balances:				
College and University Fund Balances.....	507,793			507,793
Reserved for Pension Benefits.....		4,447,381		4,447,381
Reserved for Post Retirement Medical Benefits.....		311,538		311,538
Total Fund Equity.....	507,793	4,758,919	24,948	5,291,660
Total Liabilities and Fund Equity.....	\$ 724,442	\$ 5,453,324	\$ 119,287	\$ 6,297,053

COMBINING BALANCE SHEET
COMPONENT UNITS - COLLEGE AND UNIVERSITY FUNDS
JUNE 30, 2000
(Expressed in Thousands)

	Current Funds	Loan Funds	Endowment And Similar Funds	Plant Funds	Total
<u>ASSETS</u>					
Cash, Cash Equivalents and Short-term Investments.....	\$ 26,186	\$ 1,617	\$ 2,387	\$ 20,722	\$ 50,912
Accounts Receivable (Net of Allowances for Uncollectibles)...	18,684			2,114	20,798
Prepaid Expenses.....	4,251			12	4,263
Notes Receivable (Net of Allowances for Uncollectibles).....		20,962			20,962
Investments.....	79,003		169,569	8,111	256,683
Fixed Assets, Net.....				369,235	369,235
Other Assets.....				1,589	1,589
Interfund Balances, Net.....	3,080			(3,080)	
Total Assets.....	\$ 131,204	\$ 22,579	\$ 171,956	\$ 398,703	\$ 724,442
<u>LIABILITIES AND FUND BALANCES</u>					
Accounts Payable and Accrued Expenses.....	\$ 25,878		\$ 1,774	\$ 9,100	\$ 36,752
Accrued Payroll.....					
Deposits and Deferred Revenues.....	17,639			3	17,642
Due to Primary Government.....				8,750	8,750
Long-term Debt.....				95,532	95,532
Compensated Absences and Accrued Employee Benefits.....	57,924			49	57,973
Total Liabilities.....	101,441	0	1,774	113,434	216,649
Fund Balances:					
Current Funds:					
Unrestricted.....	11,784				11,784
Restricted.....	17,979				17,979
Loan Funds:					
U.S. Government Grants.....		\$ 17,008			17,008
Restricted.....		4,112	1,173		5,285
Unrestricted.....		1,459	1,335		2,794
Endowment and Similar Funds:					
Endowment, Primarily Restricted.....			123,004		123,004
Funds Functioning As Endowment - Unrestricted.....			13,762		13,762
Funds Functioning As Endowment - Restricted.....			8,603		8,603
Held In Trust By Others.....			19,179		19,179
Life Income and Annuity Funds.....			3,126		3,126
Plant Funds:					
Investment In Plant.....				265,416	265,416
Unexpended.....				19,853	19,853
Total Fund Balances.....	29,763	22,579	170,182	285,269	507,793
Total Liabilities and Fund Balances.....	\$ 131,204	\$ 22,579	\$ 171,956	\$ 398,703	\$ 724,442

COMBINING STATEMENT OF PLAN NET ASSETS
COMPONENT UNITS - PENSION TRUST FUNDS
JUNE 30, 2000
(Expressed in Thousands)

	Pension Plan	Post Retirement Medical Plan	Total Plan
<u>ASSETS</u>			
Cash and Cash Equivalents.....	\$ 3,307	\$ 233	\$ 3,540
Cash Collateral on Security Lending.....	441,327	31,051	472,378
Total Cash.....	444,634	31,284	475,918
Receivables:			
Due from Employers.....	3,932	831	4,763
Due from State.....	6,799	546	7,345
Due from Plan Members.....	7,435		7,435
Due from Post Retirement Medical Plan.....	1,377		1,377
Due from Brokers for Securities Sold.....	127,607	8,978	136,585
Interest and Dividends.....	15,532	1,093	16,625
Other	2,478	174	2,652
Total Receivables.....	165,160	11,622	176,782
Investments at Fair Value:			
Equity Investments:			
Domestic.....	2,332,742	164,131	2,496,873
International.....	422,993	29,761	452,754
Fixed Income Investments:			
Domestic.....	863,205	60,734	923,939
Global.....	141,390	9,948	151,338
Commercial Real Estate.....	288,515	20,300	308,815
Timberfunds.....	115,412	8,120	123,532
Alternative Investments.....	306,063	21,534	327,597
Temporary Investments.....	14,563	1,025	15,588
Total Investments.....	4,484,883	315,553	4,800,436
Other Assets.....	176	12	188
Total Assets.....	5,094,853	358,471	5,453,324
<u>LIABILITIES</u>			
Securities Lending Collateral.....	441,327	31,051	472,378
Contributions Due to Pension Plan.....		1,377	1,377
Management Fees and Other Payables.....	8,137	573	8,710
Due to Brokers for Securities Purchased.....	198,008	13,932	211,940
Total Liabilities.....	647,472	46,933	694,405
Net Assets Held in Trust for Benefits.....	\$ 4,447,381	\$ 311,538	\$ 4,758,919

**COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
COMPONENT UNITS - PENSION TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)**

	Pension Plan	Post Retirement Medical Plan	Total Plan
ADDITIONS:			
Contributions:			
Employer	\$ 51,295	\$ 4,539	\$ 55,834
State Contributions on Behalf of Local Employers.....	10,496	3,498	13,994
Total Employer Contributions.....	61,791	8,037	69,828
Plan Member.....	88,237		88,237
Post Retirement Medical Plan Contributions on Behalf of Employers..	8,037		8,037
Total Contributions.....	158,065	8,037	166,102
Investment Income:			
From Investing Activities:			
Net Appreciation in Fair Value of Investments.....	401,245	20,364	421,609
Interest.....	61,264	3,110	64,374
Dividends.....	32,832	1,666	34,498
Timberfund Income (Loss).....	(163)	(8)	(171)
Alternative Investment Income.....	3,585	182	3,767
Commercial Real Estate Operating Income.....	62,840	3,190	66,030
Total Income from Investing Activities.....	561,603	28,504	590,107
Less: Investment Activity Expenses:			
Investment Management Fees.....	24,712	1,254	25,966
Commercial Real Estate Operating Expense.....	36,314	1,843	38,157
Custodial Fees.....	1,015	52	1,067
Investment Advisor Fees.....	460	23	483
Total Investment Activity Expenses.....	62,501	3,172	65,673
Total Net Income from Investing Activities.....	499,102	25,332	524,434
From Securities Lending Activities:			
Security Lending Income.....	28,834	1,464	30,298
Less: Security Lending Borrower Rebates.....	25,973	1,318	27,291
Less: Security Lending Management Fees.....	858	44	902
Net Income from Securities Lending Activities.....	2,003	102	2,105
Total Net Investment Income.....	501,105	25,434	526,539
Administrative Assessment.....	5,686	289	5,975
Other.....	826	42	868
Total Additions.....	665,682	33,802	699,484
DEDUCTIONS:			
Benefits.....	177,489	8,124	185,613
Refunds of Contributions.....	19,485		19,485
Administrative Expense.....	3,191	162	3,353
Post Retirement Medical Plan Contributions to Pension Plan on Behalf of Employers.....		8,037	8,037
Consulting Fees.....	830	42	872
Other.....	404	20	424
Total Deductions.....	201,399	16,385	217,784
Net Asset Transfers	(108,000)	108,000	
Net Increase.....	356,283	125,417	481,700
NET ASSETS HELD IN TRUST FOR BENEFITS:			
Beginning of the Year.....	4,091,098	186,121	4,277,219
End of the Year.....	\$ 4,447,381	\$ 311,538	\$ 4,758,919

COMBINING BALANCE SHEET
COMPONENT UNITS - ENTERPRISE FUNDS
JUNE 30, 2000
(Expressed in Thousands)

	Business Finance Authority	Community Development Finance Authority	Pease Development Authority	Total
<u>ASSETS</u>				
Current Assets:				
Cash and Cash Equivalents.....	\$ 2,986	\$ 1,770	\$ 2,715	\$ 7,471
Investments.....		130		130
Receivables (Net of Allowances For Uncollectibles)....	227	252	3,548	4,027
Notes Receivable.....	1,949	703		2,652
Other Assets.....		108	116	224
Total Current Assets.....	5,162	2,963	6,379	14,504
Restricted Assets:				
Cash and Cash Equivalents.....	8,391	304	491	9,186
Investments.....	6,384	4,293		10,677
Receivables.....		4,707	9,297	14,004
Total Restricted Assets.....	14,775	9,304	9,788	33,867
Fixed Assets:				
Buildings and Building Improvements.....	4,108		67,070	71,178
Land and Land Improvements.....		29		29
Equipment.....	76	49	2,721	2,846
Construction-in-progress.....			827	827
Less: Allowance for Depreciation and Amortization..	(1,851)	(33)	(12,767)	(14,651)
Net Fixed Assets.....	2,333	45	57,851	60,229
Other Assets:				
Loans and Pledges Receivable.....	8,658	1,557		10,215
Other.....	234		238	472
Total Other Assets.....	8,892	1,557	238	10,687
Total Assets.....	\$ 31,162	\$ 13,869	\$ 74,256	\$ 119,287
<u>LIABILITIES AND FUND EQUITY</u>				
Current Liabilities:				
Accounts Payable.....	\$ 61	\$ 64	\$ 574	\$ 699
Accrued Payroll.....	10	28		38
Deferred Revenue.....			385	385
Current Portion of Bonds Payable.....	1,000			1,000
Other Current Liabilities.....	209	105	351	665
Total Current Liabilities.....	1,280	197	1,310	2,787
Current Liabilities Payable from Restricted Assets.....	2,172	9,304	172	11,648
Noncurrent Liabilities:				
Bonds Payable.....	19,663			19,663
Due to Primary Government.....			53,620	53,620
Advances from Tenant.....			405	405
Other Noncurrent Liabilities.....	2,701	2,288	1,227	6,216
Total Noncurrent Liabilities.....	22,364	2,288	55,252	79,904
Total Liabilities.....	25,816	11,789	56,734	94,339
Fund Equity (Deficit):				
Contributed Capital.....			28,408	28,408
Retained Earnings (Deficit):				
Reserved	4,136	939		5,075
Unreserved.....	1,210	1,141	(10,886)	(8,535)
Total Retained Earnings (Deficit).....	5,346	2,080	(10,886)	(3,460)
Total Fund Equity.....	5,346	2,080	17,522	24,948
Total Liabilities and Fund Equity (Deficit).....	\$ 31,162	\$ 13,869	\$ 74,256	\$ 119,287

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS -
 COMPONENT UNITS - ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000
 (Expressed in Thousands)**

	Business Finance Authority	Community Development Finance Authority	Pease Development Authority	Totals
OPERATING REVENUES:				
Charges for Sales and Services.....	\$ 1,375	\$ 363	\$ 7,626	\$ 9,364
Interest and Earnings on Investments.....		355	756	1,111
Other.....		183		183
Total Operating Revenue.....	1,375	901	8,382	10,658
OPERATING EXPENSES:				
Personnel Services.....	302	341	2,472	3,115
Advertising.....		3	352	355
Miscellaneous.....	196	889	4,419	5,504
Depreciation and Amortization.....	127	9	3,442	3,578
Total Operating Expenses.....	625	1,242	10,685	12,552
Operating Income (Loss).....	750	(341)	(2,303)	(1,894)
NONOPERATING REVENUES (EXPENSES):				
Investment Income.....	1,874			1,874
Interest Expense.....	(1,637)			(1,637)
Miscellaneous.....	(906)			(906)
Total Nonoperating Revenues (Expenses).....	(669)	0	0	(669)
Net Income (Loss).....	81	(341)	(2,303)	(2,563)
Add: Depreciation on Fixed Assets Acquired by Grants and Entitlements Externally Restricted for Capital Acquisitions and Construction that Reduces Contributed Capital.....			1,813	1,813
Increase (Decrease) in Retained Earnings.....	81	(341)	(490)	(750)
Retained Earnings (Deficit) - July 1.....	5,265	2,421	(10,396)	(2,710)
Retained Earnings (Deficit) - June 30.....	\$ 5,346	\$ 2,080	\$ (10,886)	\$ (3,460)

COMBINING STATEMENT OF CASH FLOWS - COMPONENT UNITS - ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Expressed in Thousands)

	Business Finance Authority	Development Finance Authority	Pease Development Authority	Total
Operating Income (Loss).....	\$ 750	\$ (341)	\$ (2,303)	\$ (1,894)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	97	9	3,423	3,529
Amortization.....	30		19	49
Change in Operating Assets and Liabilities:				
Increase (Decrease) in Receivables.....	(1,024)	(781)	771	(1,034)
(Decrease) in Notes Receivable.....	1,785	99		1,884
(Decrease) in Other Assets.....	(3)	(1)		(4)
Increase in Accounts Payable and Other Accruals.....	446	1,830	247	2,523
Increase in Deferred Revenue.....	119	347		466
Net Cash Provided by Operating Activities.....	2,200	1,162	2,157	5,519
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets.....	(2)	(12)	(4,028)	(4,042)
Contributed Capital from Federal Government.....			1,396	1,396
Repayments to Tenant.....			(26)	(26)
Repayments to Primary Government.....			(1,910)	(1,910)
Proceeds from Loans with Primary Government.....			462	462
Interest Paid on Bonds.....	(1,637)			(1,637)
Principal Paid on Bonds.....	(900)			(900)
Equipment Lease Principal Payments.....			541	541
Net Cash (Used for) Capital and Related Financing Activities.....	(2,539)	(12)	(3,565)	(6,116)
Cash Flows from Investing Activities:				
Purchase of / Proceeds from Investments.....	422	(276)	323	469
Interest Income on Investments.....	1,388			1,388
Net Cash Provided by (Used for) Investing Activities.....	1,810	(276)	323	1,857
Net Increase (Decrease) in Cash and Cash Equivalents.....	1,471	874	(1,085)	1,260
Cash and Cash Equivalents - July 1.....	9,906	1,200	4,291	15,397
Cash and Cash Equivalents - June 30.....	\$ 11,377	\$ 2,074	\$ 3,206	\$ 16,657

Statistics

TABLE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)

	Fiscal Year Ended June 30,									
	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
REVENUES:										
General Property Taxes	\$ 473,706	\$ 535	\$ 563	\$ 566	\$ 408	\$ 460	\$ 376	\$ 379	\$ 299	\$ 277
Special Taxes	853,246	726,398	670,054	606,135	543,910	648,688	587,539	718,243	676,228	403,640
Personal Taxes	94,987	73,765	76,091	50,421	44,498	44,013	43,703	41,161	39,340	39,508
Business License Taxes	210,432	209,470	195,182	192,608	180,363	166,090	163,151	155,487	155,194	142,092
Non-Business License Taxes	65,954	62,817	61,218	59,253	56,868	55,931	53,824	53,407	52,865	51,530
Fees	101,247	99,730	84,789	81,989	84,704	71,185	68,671	63,687	60,171	52,363
Fines, Penalties, and Interest	29,378	26,882	28,952	26,276	25,056	28,204	26,928	22,897	21,820	27,827
Grants from Federal Government	957,669	914,277	822,569	786,119	814,616	743,308	854,555	738,670	648,316	455,869
Grants from Private and Local Sources	113,093	116,154	117,707	103,298	107,368	93,269	86,685	72,293	67,325	62,614
Rents and Leases	1,430	1,553	4,960	4,832	4,673	4,320	4,305	3,856	4,090	3,769
Interest, Premiums, and Discounts	16,867	15,368	14,272	12,782	13,507	13,512	4,198	5,105	4,450	2,657
Sale of Commodities	10,284	9,826	13,141	11,634	10,485	8,907	10,000	8,701	7,517	8,828
Sale of Services	75,492	80,010	73,799	95,338	92,037	136,522	353,692	60,762	51,585	56,528
Assessments	22,434	16,771	16,441	15,157	14,058	13,625	13,968	17,231	15,640	14,300
Grants from Other Agencies	3,252	4,636	28,852	23,273	21,971	17,305	16,633	16,737	17,018	15,155
Miscellaneous	100,159	44,037	43,270	42,056	36,565	41,455	35,104	26,302	26,578	23,876
Total Revenues	3,129,630	2,402,229	2,251,860	2,111,737	2,051,087	2,086,794	2,323,332	2,004,918	1,848,436	1,360,833
EXPENDITURES:										
Current:										
General Government	184,090	178,530	172,926	177,403	180,569	184,538	179,829	175,754	166,650	162,375
Administration of Justice and Public Protection	201,162	193,291	196,322	166,614	156,330	150,774	140,429	135,073	127,998	122,860
Resource Protection and Development	118,784	114,199	106,492	102,520	91,089	89,630	87,559	101,833	74,091	62,369
Transportation	211,439	201,139	189,599	187,445	189,541	181,756	170,232	180,053	162,858	156,520
Health and Social Services	1,210,723	1,178,090	1,115,939	1,080,933	1,094,810	1,192,346	1,315,480	1,068,500	1,001,690	649,799
Education	1,035,386	274,297	260,400	225,547	205,425	202,192	205,767	249,928	238,223	223,525
Debt Service	81,228	78,730	74,293	75,461	74,754	65,131	63,939	59,842	60,652	60,163
Capital Outlay	185,391	155,663	133,435	125,492	102,758	90,956	102,952	101,033	71,565	69,883
Total Expenditures	3,228,203	2,373,939	2,249,406	2,141,415	2,095,276	2,157,323	2,266,187	2,072,016	1,903,727	1,507,494
Excess (Deficiency) of Revenues Over (Under) Expenditures	(98,573)	28,290	2,454	(29,678)	(44,189)	(70,529)	57,145	(67,098)	(55,291)	(146,661)
OTHER FINANCING SOURCES (USES):										
Operating Transfers In	402,754	237,886	224,071	236,315	198,214	347,000	427,745	166,823	142,156	112,745
Operating Transfers Out	(402,818)	(244,501)	(224,065)	(236,442)	(196,062)	(347,913)	(428,538)	(233,492)	(142,210)	(109,094)
Operating Transfers from Enterprise Funds	137,695	132,829	124,329	117,704	106,879	99,681	103,525	93,830	92,445	89,497
Operating Transfers to Component Units	(71,766)	(68,540)	(65,880)	(63,750)	(64,000)	(63,500)	(71,165)			
Transfer from IDA										7,000
Proceeds from Issuance of Bonds				64	34	1,447		90,506	23,029	30,299
Proceeds of Refunding Bonds		103,351		53,595				122,400		
Payment to Refunding Bond Escrow Agent		(103,351)		(53,595)				(122,400)		
Total Other Financing Sources	65,865	57,674	58,455	53,891	45,065	36,715	31,567	117,667	115,420	130,447
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(32,708)	85,964	60,909	24,213	876	(33,814)	88,712	50,569	60,129	(16,214)
Fund Balances - July 1	435,041	349,855	288,946	264,733	263,857	297,671	208,959	158,390	98,261	114,475
Change in Reserve for Inventory	320	(778)								
Fund Balances - June 30	\$ 402,653	\$ 435,041	\$ 349,855	\$ 288,946	\$ 264,733	\$ 263,857	\$ 297,671	\$ 208,959	\$ 158,390	\$ 98,261

**TABLE OF UNRESTRICTED REVENUE
GENERAL FUND - GAAP BASIS
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)**

	Fiscal Year Ended June 30,									
	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Beer Tax	\$ 12,090	\$ 11,783	\$ 11,442	\$ 11,366	\$ 11,113	\$ 11,217	\$ 11,199	\$ 11,182	\$ 11,357	\$ 13,305
Board and Care Revenue . . .	11,953	11,196	12,966	13,992	13,628	14,439	14,006	12,772	12,266	13,548
Business Profits Tax	146,443	164,833	167,471	171,990	152,683	138,348	112,293	128,727	91,604	112,035
Business Enterprise Tax	94,354	93,021	71,036	38,239	24,969	29,764	23,975			
Estate and Legacy Tax	56,368	54,744	43,274	40,734	33,270	38,456	32,128	31,064	28,128	23,398
Insurance Tax	59,336	62,914	54,656	57,202	50,488	42,639	43,070	48,221	44,859	43,540
Securities Revenue ⁽¹⁾	25,513	22,465	20,522	18,042	15,622	13,722	13,097			
Interest and Dividends Tax . . .	65,522	63,134	61,799	52,683	51,878	37,970	35,767	36,088	34,608	37,413
Liquor Sales and Distribution . .	86,015	77,444	75,440	71,713	65,971	63,626	63,990	63,463	62,493	58,549
Meals and Rooms Tax	149,777	137,258	128,688	118,984	113,369	107,501	101,418	95,398	92,078	89,803
Park Revenue ⁽²⁾					5,205	4,212	5,953	5,105	4,287	5,998
Dog Racing	1,058	1,026	1,011	2,213	2,166	2,802	3,147	4,073	4,819	5,954
Horse Racing	2,429	2,427	2,238	2,778	3,032	3,053	2,782	2,430	3,142	3,975
Real Estate Transfer Tax	56,779	52,925	44,162	33,330	30,192	28,971	29,221	26,837	35,105	28,893
Telephone/Communication Tax . .	47,794	46,219	40,134	39,253	35,519	33,212	30,512	29,529	27,762	22,231
Tobacco Tax	68,823	73,784	76,128	50,436	44,537	44,065	43,712	41,189	39,377	39,540
Utility Tax	9,974	10,402	17,731	17,562	17,488	17,073	19,962	21,077	22,998	10,114
Courts Fines and Fees	22,845	21,917	21,021	20,167	18,914	19,488	19,238	19,338	19,663	21,052
Savings Bank Tax ⁽³⁾								3,040	7,446	11,858
Other:										
Corporate Returns	676	659	655	698	657	621	608	935	1,092	930
Interstate Vehicle Registrations	2,860	2,858	2,795	2,714	2,857	2,842	2,515	2,960	2,744	2,613
Motor Boat Registrations . . .		1,779	1,847	1,757	1,600	1,747	1,451	1,435	1,411	1,428
Corporate Filing Fees	3,436	3,229	3,227	3,219	3,093	3,042	2,997	6,562	6,398	6,266
Interest on Surplus Funds . . .	3,201	5,978	2,990	181	324	2,885	1,252	2,463	1,485	1,033
Reimb. of Indirect Costs	4,094	4,903	5,100	4,184	4,215	6,151	5,648	5,595	6,328	4,733
Miscellaneous	27,877	26,192	29,991	26,266	24,516	25,821	26,992	19,453	20,383	18,475
Subtotal	959,217	953,090	896,324	799,703	727,306	693,667	646,933	618,936	581,833	576,684
Net Medicaid Enhancement Revenues (MER)	74,230	70,411	67,502	54,268	101,983	116,614	250,400	180,059	166,471	52,000
Subtotal	1,033,447	1,023,501	963,826	853,971	829,289	810,281	897,333	798,995	748,304	628,684
Other MER Transferred to/ (from) Uncompensated Care Pool	12,915	15,839	9,204	43,482	(10,483)	152,552	222,700			
Total Unrestricted Revenue . .	\$1,046,362	\$1,039,340	\$ 973,030	\$ 897,453	\$ 818,806	\$ 962,833	\$1,120,033	\$ 798,995	\$ 748,304	\$ 628,684

⁽¹⁾ Beginning in FY 1994, Securities Revenues were reported separately from the Insurance Tax.

⁽²⁾ Beginning in FY 1998, Park Revenue was reclassified as Restricted Revenue.

⁽³⁾ Effective July 1, 1993, the Savings Bank Tax was repealed.

TABLE OF UNDESIGNATED FUND BALANCE
GENERAL FUND
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)

	Fiscal Year Ended June 30,									
	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Balance, July 1 (Budgetary Method).....	\$ 119,484	\$ 131,367	\$ 42,638	\$ 11,356	\$ 53,769	\$ 66,462	\$ 76,118	\$ 64,907	\$ 23,076	\$ (539)
Additions:										
Unrestricted Revenue.....	1,033,447	1,023,501	960,530	873,749	795,996	847,406	897,333	798,995	748,304	628,684
(1)Unrestricted Revenue - UCP.....	12,915	15,839	12,500	23,704	22,810	115,427	222,700			
Total Unrestricted Revenue.....	1,046,362	1,039,340	973,030	897,453	818,806	962,833	1,120,033	798,995	748,304	628,684
Transfer from Other Funds.....	778	2,334	1,051	1,062	3,374	692	699	806	689	5,116
Bonds Authorized and Unissued.....		(7,337)					1,000	3,800		20,000
Additional Sweepstakes Transfer.....		8,579								
Other Credits.....	214	7,541	5,348	51	436	1,054	383	1,659	1,227	6,914
Total Additions.....	1,047,354	1,050,457	979,429	898,566	822,616	964,579	1,122,115	805,260	750,220	660,714
Deductions:										
Appropriations Net of Estimated Revenues:										
General Government.....	226,440	203,368	185,447	185,695	175,145	192,018	177,992	176,098	164,693	155,397
Administration of Justice and Public Protection.....	149,503	136,298	128,992	109,324	107,573	99,498	96,464	86,286	83,750	78,473
Resource Protection and Development.....	37,753	38,483	37,238	35,071	40,256	37,479	38,931	30,942	18,950	34,510
Transportation.....	3,034	2,882	2,935	2,845	2,886	2,710	3,117	2,799	2,813	2,860
Health and Social Services.....	242,442	218,549	212,160	205,796	203,716	214,601	207,651	191,721	185,110	178,695
Education.....	166,644	156,335	154,785	124,941	119,970	122,203	128,932	116,434	111,918	107,397
Liquor Commission.....	23,417	22,550	22,119	20,443	20,774	19,887	19,466	19,893	19,319	18,856
Special Fund.....	231,867	205,086	197,903	195,957	195,011	207,410	172,166	157,246	140,900	106,198
Subtotal.....	1,081,100	983,551	941,579	880,072	865,331	895,806	844,719	781,419	727,453	682,386
Uncompensated Care Pool.....	12,915	15,839	12,500	23,704	22,810	115,427	222,700			
Health Care Transition Fund (HCTF).....			14,786	6,500	7,912	8,418				
Total Appropriations Net of Estimated Revenues.....	1,094,015	999,390	968,865	910,276	896,053	1,019,651	1,067,419	781,419	727,453	682,386
Less: Lapses.....	(22,913)	(42,794)	(24,105)	(25,493)	(25,973)	(28,614)	(28,046)	(25,582)	(20,056)	(18,017)
Lapses - HCTF.....	(342)	(485)		(6,415)	(790)	(12,861)				
Total Lapses.....	(23,255)	(43,279)	(24,105)	(31,908)	(26,763)	(41,475)	(28,046)	(25,582)	(20,056)	(18,017)
Net Appropriations.....	1,070,760	956,111	944,760	878,368	869,290	978,176	1,039,373	755,837	707,397	664,369
Transfers to Other Funds.....	65	872	280	398	595	965	834	349	203	
Other Debits.....	1,037	2,704	865	1,823	2,266	2,481	1,315	303	789	1,216
Transfer to (from) Fund Equity Designation or Reserve Accounts.....	32,526	102,653	(55,205)	(13,305)	(7,122)	(4,350)	90,249	37,560		(28,486)
Total Deductions.....	1,104,388	1,062,340	890,700	867,284	865,029	977,272	1,131,771	794,049	708,389	637,099
Balance, June 30 (Budgetary Method).....	62,450	119,484	131,367	42,638	11,356	53,769	66,462	76,118	64,907	23,076
GAAP Adjustments:										
Receivables.....	2,845	4,827	1,520	2,764	3,414	4,555	4,132	4,563	3,525	4,539
Accounts Payable and Accrued Liabilities.....	(48,721)	(62,191)	(58,082)	(53,199)	(58,669)	(56,777)	(52,778)	(45,246)	(46,232)	(46,651)
Transfer from General Fund to Liquor Fund.....	(2,686)	(3,628)	(3,677)	(3,180)	(2,942)	(2,523)	(2,301)	(2,309)	(2,384)	(2,139)
Transfer from General Fund to Special Fund.....	(9,889)	(27,488)	(26,127)	(29,207)	(10,531)	(34,133)	(2,546)	(1,643)	(1,199)	(3,353)
Elimination Bonds Authorized.....							(1,000)			
Additional Transfer (to) from Reserve Accounts.....		(31,004)	(3,602)	38,960	13,221	35,109				
Total GAAP Adjustments.....	(58,451)	(119,484)	(89,968)	(43,862)	(55,507)	(53,769)	(54,493)	(44,635)	(46,290)	(47,604)
Balance, June 30 (GAAP).....	\$ 3,999	\$ 0	\$ 41,399	\$ (1,224)	\$ (44,151)	\$ 0	\$ 11,969	\$ 31,483	\$ 18,617	\$ (24,528)

(1) UCP = Uncompensated Care Pool

**TABLE OF UNDESIGNATED FUND BALANCE
HIGHWAY FUND
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)**

	Fiscal Year Ended June 30,									
	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Balance, July 1 (Budgetary Method) . . .	\$ 1,454	\$ 7,439	\$ 11,001	\$ (2,903)	\$ 8,299	\$ 1,050	\$ (2,104)	\$ 1,377	\$ (6,253)	\$ (6,591)
Additions:										
Unrestricted Revenue:										
Gasoline Tax	116,050	119,863	115,517	111,001	107,025	102,053	97,222	96,311	94,107	90,381
Motor Vehicle Fees	69,882	66,320	64,452	62,449	60,174	59,462	56,425	55,313	55,025	52,816
Other	8,344	10,544	9,263	10,090	10,709	8,405	7,501	7,383	8,677	7,433
Total Unrestricted Revenue	194,276	196,727	189,232	183,540	177,908	169,920	161,148	159,007	157,809	150,630
Bonds Authorized and Unissued							1,300	13,500	3,250	1,000
Other Credits	1,202		767	43		370	3,586	6,154		
Total Additions	195,478	196,727	189,999	183,583	177,908	170,290	166,034	178,661	161,059	151,630
Deductions:										
Appropriations Net of										
Estimated Revenues	214,021	211,816	200,378	175,814	193,270	168,799	168,210	182,818	158,258	161,393
Less: Lapses	(24,607)	(16,656)	(8,322)	(7,717)	(6,534)	(7,038)	(7,007)	(6,198)	(6,402)	(11,844)
Net Appropriations	189,414	195,160	192,056	168,097	186,736	161,761	161,203	176,620	151,856	149,549
Bonds Authorized and Unissued	13,309	5,736								
Other Debits	1,555	1,816	1,505	1,582	2,374	1,280	1,677	5,522	1,573	1,743
Total Deductions	204,278	202,712	193,561	169,679	189,110	163,041	162,880	182,142	153,429	151,292
Balance, June 30 (Budgetary Method) .	(7,346)	1,454	7,439	11,001	(2,903)	8,299	1,050	(2,104)	1,377	(6,253)
GAAP Adjustments:										
Receivables	1,596	269	404	934	317	777	560	4,257	1,180	4,464
Accounts Payable and										
Accrued Liabilities	(9,956)	(9,131)	(9,735)	(9,803)	(8,567)	(9,707)	(8,923)	(5,866)	(7,671)	(11,040)
Bonds Authorized										
and Unissued		(13,309)	(19,045)	(19,045)	(19,109)	(19,142)	(19,590)	(18,290)	(11,629)	(10,605)
Total GAAP Adjustments	(8,360)	(22,171)	(28,376)	(27,914)	(27,359)	(28,072)	(27,953)	(19,899)	(18,120)	(17,181)
Reclassification of Designated Balance .					39,732	42,962	32,515	6,377	28,519	49,196
Balance, June 30 (GAAP)	\$ (15,706)	\$ (20,717)	\$ (20,937)	\$ (16,913)	\$ 9,470	\$ 23,189	\$ 5,612	\$ (15,626)	\$ 11,776	\$ 25,762

**TABLE OF UNDESIGNATED FUND BALANCE
FISH AND GAME FUND
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)**

	Fiscal Year Ended June 30,									
	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Balance, July 1 (Budgetary Method) . .	\$ 5,464	\$ 5,006	\$ 4,310	\$ 4,068	\$ 4,539	\$ 3,999	\$ 3,176	\$ 3,235	\$ 3,460	\$ 2,729
Additions:										
Unrestricted Revenue	7,928	8,158	7,923	7,397	6,769	6,819	6,654	6,715	6,410	6,281
Other Credits	878	742	847	791	871	640	818		28	935
Total Additions	8,806	8,900	8,770	8,188	7,640	7,459	7,472	6,715	6,438	7,216
Deductions:										
Appropriations Net of Estimated Revenues	10,419	8,809	8,350	8,311	8,413	7,502	7,294	7,073	6,977	6,733
Less: Lapses	(426)	(479)	(276)	(385)	(302)	(730)	(645)	(327)	(337)	(308)
Net Appropriations	9,993	8,330	8,074	7,926	8,111	6,772	6,649	6,746	6,640	6,425
Other Debits		112		20		147		28	23	60
Total Deductions	9,993	8,442	8,074	7,946	8,111	6,919	6,649	6,774	6,663	6,485
Balance, June 30 (Budgetary Method) .	4,277	5,464	5,006	4,310	4,068	4,539	3,999	3,176	3,235	3,460
GAAP Adjustments:										
Receivables	160	438	211	128	124	102	130	96	100	96
Accounts Payable and Accrued Liabilities	(1,178)	(1,238)	(1,325)	(1,182)	(1,120)	(871)	(992)	(782)	(758)	(778)
Total GAAP Adjustments	(1,018)	(800)	(1,114)	(1,054)	(996)	(769)	(862)	(686)	(658)	(682)
Balance, June 30 (GAAP)	\$ 3,259	\$ 4,664	\$ 3,892	\$ 3,256	\$ 3,072	\$ 3,770	\$ 3,137	\$ 2,490	\$ 2,577	\$ 2,778

**SCHEDULE OF REVENUE BOND COVERAGE RATIO
TURNPIKE SYSTEM REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)**

Fiscal Year	Gross Revenues*	Direct Operating Expenses*	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage Ratio
				Principal	Interest	Total	
2000	\$ 63,034	\$ 22,064	\$ 40,970	\$ 6,645	\$ 19,807	\$ 26,452	1.55
1999	59,257	18,794	40,463	5,817	16,469	22,286	1.82
1998	58,033	16,352	41,681	6,063	15,615	21,678	1.92
1997	55,714	17,231	38,483	5,653	15,944	21,597	1.78
1996	53,231	17,024	36,207	5,348	16,247	21,595	1.68
1995	51,670	17,336	34,334	4,416	16,462	20,878	1.64
1994	49,573	15,749	33,824	3,525	14,744	18,269	1.85
1993	47,859	15,968	31,891	2,940	13,623	16,563	1.93
1992	48,097	15,020	33,077	2,579	14,165	16,744	1.98
1991	49,165	13,459	35,706	2,265	14,489	16,754	2.13

* - Amounts as defined in Turnpike System Bond Resolutions.

**RATIO OF GENERAL LONG-TERM DEBT TO ASSESSED VALUE
AND GENERAL LONG-TERM DEBT PER CAPITA
FOR THE LAST TEN FISCAL YEARS**

(Expressed in Thousands)					
Fiscal Year	(1)	(2)	(3)	Ratio Of General Long- Term Debt To Assessed Value	General Long- Term Debt Per Capita
	Population	Assessed Value	General Long-Term Debt		
2000	1,211	\$ 70,900,000	\$ 592,110	0.84	\$ 489
1999	1,201	68,919,201	645,907	0.94	538
1998	1,186	66,683,773	617,525	0.93	521
1997	1,173	64,980,410	661,353	1.02	564
1996	1,161	64,013,126	663,286	1.03	572
1995	1,146	63,115,248	646,316	1.02	564
1994	1,133	62,832,676	614,982	0.98	543
1993	1,122	61,230,364	610,456	1.00	544
1992	1,113	61,895,766	538,013	0.87	483
1991	1,107	60,024,128	510,078	0.85	461

Sources: (1) U.S. Dept. of Commerce, Bureau of the Census, reflects the most current available data for all years represented (2000 estimated).
 (2) New Hampshire Department of Revenue Administration (2000 estimated).
 (3) Includes all General Obligation Bonds Payable of the Primary Government.

**DEMOGRAPHIC STATISTICS
FOR THE LAST TEN FISCAL YEARS**

Year	(1)	(2)	(3)
	Population	Per Capita Income	Unemployment Rate
2000	1,211,000	32,330	2.8%
1999	1,201,000	30,905	2.6
1998	1,186,000	29,480	2.7
1997	1,173,000	27,746	3.2
1996	1,161,000	26,042	4.4
1995	1,146,000	25,008	3.9
1994	1,133,000	24,119	4.6
1993	1,122,000	22,918	6.5
1992	1,113,000	22,232	7.6
1991	1,107,000	21,023	7.2

Sources: (1) U.S. Dept. of Commerce, Bureau of the Census, reflects the most current available data for all years represented (2000 estimated).
 (2) U.S. Dept. of Commerce, Bureau of Economic Analysis, reflects the most current available data for all years represented (2000 estimated).
 (3) New Hampshire Department of Employment Security, Economic and Labor Market Information Bureau.

NUMBER OF BUILDING PERMITS FOR HOUSING UNITS FOR THE LAST TEN CALENDAR YEARS

Year	Single Family Houses	Two Family Buildings	Three and Four Family Buildings	Five or More Family Buildings	Total
2000*	5,537	34	17	35	5,623
1999	5,696	73	34	34	5,837
1998	5,310	59	39	19	5,427
1997	4,598	39	31	49	4,717
1996	4,233	44	10	42	4,329
1995	4,105	24	11	19	4,159
1994	4,130	63	19	24	4,236
1993	3,724	26	11	22	3,783
1992	3,652	27	13	23	3,715
1991	3,311	20	14	11	3,356

Source: U.S. Department of Commerce, Bureau of the Census.

* Data is annualized based on activity through July 31, 2000.

SCHEDULE OF THE TWENTY LARGEST PRIVATE SECTOR EMPLOYERS (Based on Number of Employees in the state)

- 1) Wal-Mart Stores, Inc.
- 2) DeMoulas/Market Basket
- 3) Shaw's Supermarkets, Inc.
- 4) Cabletron Systems, Inc.
- 5) Sanders (A Lockheed Martin Company)
- 6) Hannaford Brothers - Shop 'N Save Supermarkets Inc.
- 7) Dartmouth College
- 8) Liberty Mutual - Northern N.E. Division
- 9) Compaq Computers
- 10) Fidelity Investments
- 11) Freudenberg-NOK
- 12) Osram Sylvania, Inc.
- 13) Bell Atlantic
- 14) HADCO Corporation
- 15) Teradyne, Inc., Connection Systems
- 16) Elliot Hospital
- 17) Sears at Fox Run Mall
- 18) Oxford Health Plans
- 19) Genesis Eldercare
- 20) N.H. International Speedway

Source: New Hampshire Business Review, December 1999

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